Annual Report

2002–2003

Investissement
Québec

Annual Report

2002 - 2003

Investissement Québec

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Note: in this document, the masculine gender refers to both men and women and is used solely for simplicity and comprehension purposes.

As well, the names of government departments used in this report are those in effect during the 2002-2003 fiscal year.

Statement from the President and Chief Executive Officer

The information contained in this annual report is my responsibility. This responsibility includes the reliability of the data contained in the report and the related controls.

The results and data contained in Investissement Québec's 2002-2003 annual report:

- describe faithfully the mission, mandates and values of the Corporation;
- present the objectives, indicators and results;
- present accurate and reliable data.

I declare that the data contained in this annual report as well as the related controls are reliable and that they reflect the situation as it existed on March 31, 2003

André Côté
Vice-President, Administration and
Acting President and Chief Executive Officer

Québec City, June 3, 2003

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Introduction 01

Mission

The mission of the Corporation is to promote investment growth in Québec and thus contribute to the economic development of Québec and the creation of employment opportunities.

It centralizes and consolidates the government's actions to seek out, promote and support investment, and acts as the main channel of communications with businesses.

It strives to stimulate domestic investment and to attract investors from outside Québec. It promotes Québec among foreign investors as an excellent place for investment. It guides investors in their dealings with the government, and provides them, directly or through its subsidiaries, with financial and technical support.

It participates in the growth of businesses, in particular by facilitating research and development as well as export activities.

It also works to maintain investments in Québec by providing financial and technical support, directly or through its subsidiaries, to businesses established in Québec that show particular dynamism or potential.

Values

- Competence, team spirit and initiative
- Trust, openness and efficiency, the underpinnings of its client relations
- Effectiveness, rigour and transparency in management

Objective

The main objective of Investissement Québec and its subsidiaries, according to the 2002-2005 three-year business plan, is to support $13 billion worth of investments over three years, including $4.4 billion in 2002-2003. To this end, the Corporation has adopted the following strategies:

- create La Financière du Québec to improve access to financing for Québec businesses, notably by adapting its financing products and developing its network of business centres in Québec;
- stimulate foreign investment through a targeted approach for promotion, prospecting and support.

Highlights of 2002-2003

For the April 1, 2002 to March 31, 2003 period, Investissement Québec authorized 1,054 financing operations totalling $1.3 billion, which will lead to investment projects valued at $6.6 billion and create 13,881 jobs[1] over a three-year period.

Financial support	
Financing operations	1,054
Financing granted	$1.308 billion
Value of projects	$6.599 billion
Businesses	871
New jobs[1]	13,881
Expertise	
Recommendations for external organizations	186
Immigrant Investors Program	155
Fiscal measures related to job creation	
• New certificates and attestations	411
• Attestation renewals	714
Fiscal measures related to business capitalization – Québec Business Investment Companies (QBICs)	
• Number of QBICs registered	34
• Number of investments validated	53
• Value of investments	$7.0 million

1 According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.

Message from the President and Chief Executive Officer

For the second straight year, Investissement Québec carried out more than one thousand financing operations to stimulate private investment and economic activity in Québec.

With a total of $1.3 billion in financing authorized in 2002-2003, investments worth $6.6 billion should be realized over the next three years. The Corporation therefore exceeded the objective of $4.4 billion set in its three-year business plan by 50%, which once again reflects its dynamism in supporting and boosting investment in Québec.

Moreover, during the year, promotion and prospecting activities intensified in order to increase investments by foreign companies in Québec. These efforts helped support more than 70 projects for the establishment, expansion and modernization of businesses in Québec.

In 2002-2003, Investissement Québec also created its new subsidiary, La Financière du Québec, whose role is to support Québec's small and medium-sized businesses (SMBs). The Corporation's organizational structure was changed accordingly to include La Financière du Québec and to bring the financing sections that support Québec SMBs under La Financière du Québec. A specialized financing and fiscal measures division reporting directly to Investissement Québec was created and comprises the fiscal measures and financing departments. The Corporation also continued to establish its regional network, which now has 12 business centres in Québec.

Along with these changes, the operational processes of Investissement Québec and its subsidiaries were analyzed in collaboration with the employees in a sustained effort to improve client service.

This year marks the fifth anniversary of Investissement Québec. Since its creation, thanks to its employees and the support of the members of the Board of Directors, the Corporation has been able to meet the needs of businesses by authorizing 4,650 financing operations worth a total of $4.5 billion and supporting investments estimated at $25.3 billion. According to the data provided by companies, this could ultimately contribute to the direct creation of 107,000 jobs in Québec.

André Côté

André Côté
Vice-President, Administration and
Acting President and Chief Executive Officer

SECTION

Year's Review 02

Overall Results

Investissement Québec measures its results for the 2002-2003 fiscal year mainly in terms of investments made by its clients, job creation, tax and incidental tax impact, employee productivity and client satisfaction.

Overall Results

	2002-2003	2001-2002	2000-2001
Financing operations			
Number	1,054	1,066	929
Financing authorized	$1,307.9 M	$1,036.0 M	$802.6 M
Value of projects financed	$6,598.6 M	$4,465.3 M	$5,391.9 M
Number of existing jobs [1]	48,256	54,569	40,891
Number of jobs created [1]	13,881	18,391	24,228
Indicators			
Average value of projects financed per company	$7.57 M	$4.91 M	$6.58 M
Jobs created per company	16	20	30
Investment per $1 of financing	$5.04	$4.31	$6.72
Jobs created per $1 million of financing	10	18	30
Number of financing operations per employee	2.79	2.82	2.67
Expenses per $100 of financing operation authorized and administered	$2.86	$3.20	$3.62
Financing authorized per employee	$3.46 M	$2.74 M	$2.31 M
Average processing time for a financing application (days)	30	34	54
General satisfaction of clients [2]	86%	91%	93%
Financing applications under review	641	728	568
Tax and incidental tax impact attributable to the Corporation's activities [3]			
Related to project implementation	$121.7 M	$129.9 M	$137.1 M
Related to the activities of companies			
Portion of portfolio evaluated [4]	79%	77%	77%
Impact of activities	$526.8 M	$517.2 M	$552.4 M
Impact: projects and activities	$648.5 M	$647.1 M	$689.5 M
Net costs for the government	$245.5 M	$215.9 M [5]	$147.2 M
Cost-benefit ratio	2.64/1	3.00/1	4.68/1

(1) According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.
(2) See the section entitled "Client Satisfaction", on page 27, for the calculation of this percentage.
(3) The method used to measure the economic impact attributable to Investissement Québec is summarized in Appendix 6.
(4) The evaluation concerned the files of companies whose fiscal year-end fell between July 1, 2001 and June 30, 2002.
(5) Due to the adjustment of certain data, the costs and cost-benefit ratios presented in the 2001-2002 annual report were revised and replaced with those appearing in the table above.

During the 2002-2003 fiscal year, the number of financing operations authorized remained stable when compared with the results of 2001-2002, with a slight decrease of 1.2%. However, financing granted rose by 26.2%, while the value of projects increased by 47.8%. Job creation did not follow this trend, declining by 24.5% compared with the previous year, because companies realized projects that were more capital-intensive and less labour-intensive.

Value of Projects Financed, by Objective

	Value ($M)		
Program	**Objectives**	**Results**	**Variation**
FAIRE	2,650	4,645	75%
Government mandates and Buyer Credit	666	839	26%
SMB Financial [1]	900	954	6%
Biolevier	200	114	(43%)
SMB Spark	50	47	(6%)
Total	**4,466**	**6,599**	**48%**

(1) Including the financing of cooperatives and non-profit organizations.

In 2002-2003, the Corporation financed projects worth a total of $6.6 billion, exceeding the objective set in its business plan by 48%.

The results surpass the objectives for all programs, primarily the FAIRE program, which supported major projects with a total value of $2.4 billion. However, investments in the SMB Spark business start-up program were 6% below the objectives. Likewise, results were 43% lower than the objectives for the Biolevier capitalization program. This difference is attributable to the low number of authorized files due to investors greater caution in the biotechnology sector, which extended the time required to satisfy the prerequisites for file approval. This delay should be made up over the coming fiscal year, given the number of files being negotiated presently. Investment objectives not realized under this program were deferred to the 2003-2004 fiscal year.

Investment Growth

Investments of $6.6 billion

For the second straight year, the Corporation carried out more than one thousand financing operations, authorizing 1,054 operations to support the projects of 871 businesses for a total value of $6.6 billion. These financing operations are broken down by program, region, sector and type of operation in the following tables.

Financing Granted by Program or Program Segment, 2002-2003

	Number of Financing Operations		Value ($M)		Number of Jobs Declared by the Companies [1]	
Program or Program Segment	Objectives [2]	Authorizations	Financing	Projects [1]	Existing	New
SMB Financial						
Production and alliance	107	122	68.9	231.2	4,513	1,843
Research and development						
Tax credit	272	324	80.2	361.9	7,270	1,980
Development	17	24	12.1	34.8	487	190
Exports						
Line of credit	68	40	12.5	40.3	1,436	146
Marketing	32	28	13.6	43.1	1,123	236
Working capital						
Ad hoc 3	81	58	50.1	116.6	4,331	328
Growth	15	18	6.1	12.3	859	88
Recovery	n. avail.	11	9.0	25.3	1,663	227
Others [3]	5	9	4.3	12.4	107	148
Sub-total	**597**	**634**	**256.8**	**877.9**	**21,789**	**5,186**
Specific programs						
Group entrepreneurship						
Cooperatives	58	37	18.3	32.5	2,000	266
NPO	47	57	15.1	37.4	996	476
Others [4]	n. avail.	1	1.0	2.0	8	0
Capitalization of social economy enterprises						
Cooperatives	15	12	0.8	1.7	73	19
NPO	15	15	0.7	2.4	249	28
SMB Spark	172	167	13.2	46.7	495	874
Sub-total	**307**	**289**	**49.1**	**122.7**	**3,821**	**1,663**
Financing of major projects						
Biolevier	n. avail.	4	57.0	114.0	240	63
Buyer credit	n. avail.	40	205.2	839.0	0	0
FAIRE	80	68	114.5	1,210.9	15,788	4,877
FAIRE (Government mandates)	5	19	625.3	3,434.1	6,618	2,092
Sub-total	**85**	**131**	**1,002.0**	**5,598.0**	**22,646**	**7,032**
Total	**989**	**1,054**	**1,307.9**	**6,598.6**	**48,256**	**13,881**

(1) According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.
(2) The objectives by program or program segment are presented as they were established in the 2002-2003 action plan.
(3) Includes the Experimentation Measures and QBIC Capitalization segments.
(4) Includes the segment supporting the capitalization funds.

Financing Granted by Administrative Region, 2002-2003

		Value ($M)		Number of Jobs Declared by the Companies [1]	
Administrative Region	Number of Financing Operations	Financing	Projects [1]	Existing	New
01- Bas-Saint-Laurent	37	17.7	47.5	1,496	331
02- Saguenay–Lac-Saint-Jean	64	23.0	58.4	3,443	265
03- Capitale nationale	111	24.0	132.6	2,132	856
04- Mauricie	24	17.5	43.2	539	372
05- Estrie	47	21.7	139.7	3,191	1,153
06- Montréal	290	470.3	2,628.3	19,202	5,209
07- Outaouais	34	10.9	52.9	988	188
08- Abitibi-Témiscamingue	19	7.3	19.4	480	243
09- Côte-Nord	8	432.6	2,481.4	2,118	340
10- Nord-du-Québec	6	6.4	11.7	146	19
11- Gaspésie–Îles-de-la-Madeleine	17	60.3	43.1	779	123
12- Chaudière-Appalaches	69	82.9	143.5	2,605	711
13- Laval	61	18.1	78.8	999	348
14- Lanaudière	22	20.0	177.2	1,388	387
15- Laurentides	57	24.6	121.0	2,641	474
16- Montérégie	167	58.9	328.9	4,547	2,049
17- Centre-du-Québec	21	11.7	91.0	1,562	813
Total	**1,054**	**1,307.9**	**6,598.6**	**48,256**	**13,881**

(1) According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.

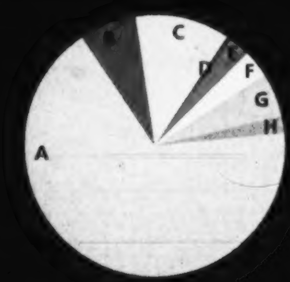
Financing Granted by Economic Sector, 2002-2003

		Value ($M)		Number of Jobs Declared by the Companies [1]	
Economic Sector	Number of Financing Operations	Financing	Projects [1]	Existing	New
Primary					
Agriculture and fishery	6	0.8	1.1	23	16
Forestry	11	6.4	7.8	1,823	79
Mining	1	0.2	0.4	2	7
Sub-total	**18**	**7.4**	**9.3**	**1,848**	**102**
Secondary					
Food and beverage	53	38.9	290.6	4,252	902
Rubber and plastic	30	23.1	140.9	2,943	637
Leather industry	4	1.2	3.7	253	4
Textile products and primary processing textile	15	8.4	58.3	827	586
Clothing	19	7.9	18.5	1,905	243
Wood products	56	19.9	80.2	1,823	328
Furniture	23	3.9	9.1	365	114
Paper	9	72.6	179.0	2,178	217
Printing	10	15.1	168.4	827	291
Primary processing metals and metal products	58	451.8	2,565.4	4,162	812
Machinery	60	15.7	74.1	1,562	749
Transportation equipment	80	308.4	1,119.8	3,077	1,746
Electrical and electronic products	73	38.6	120.6	2,926	865
Non-metallic mineral products	11	7.2	48.8	317	82
Refined oil, coal and chemical industries products	53	95.3	575.6	2,329	1,128
Various manufacturing industries	29	15.0	65.1	1,528	326
Sub-total	**583**	**1,123.0**	**5,518.1**	**31,274**	**9,030**
Tertiary					
Professional, scientific and technical services	68	41.5	130.4	2,070	437
Design of computer systems and related services	118	27.7	100.7	1,896	578
Telephone call centres	5	5.2	25.0	513	1,226
Health care and social services	46	10.9	28.7	820	381
Other corporate services	6	2.5	7.7	230	32
Lodging and food services	13	7.2	21.5	447	92
Various services	197	82.5	757.2	9,158	2,003
Sub-total	**453**	**177.5**	**1,071.2**	**15,134**	**4,749**
Total	**1,054**	**1,307.9**	**6,598.6**	**48,256**	**13,881**

(1) According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.

Breakdown of Financing Operations [1], 2002-2003 (by Number)

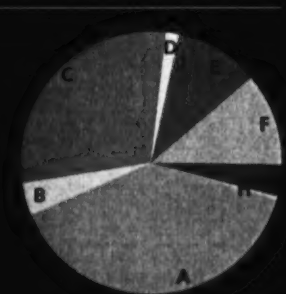
A	Loan guarantee	67.1%
B	Loan	7.1%
C	Equity loan	11.7%
D	Conditional-refund contribution	0.5%
E	Interest-free loan	2.7%
F	Non-refundable contribution	3.3%
G	Financial commitment guarantee	5.5%
H	Others	2.1%



(1) Excluding FAIRE government mandates.

Breakdown of Financing Operations [1], 2002-2003 (by Value)

A	Loan guarantee	39.0%
B	Loan	4.0%
C	Equity loan	29.3%
D	Conditional-refund contribution	1.6%
E	Interest-free loan	10.4%
F	Non-refundable contribution	11.4%
G	Financial commitment guarantee	3.9%
H	Others	0.4%



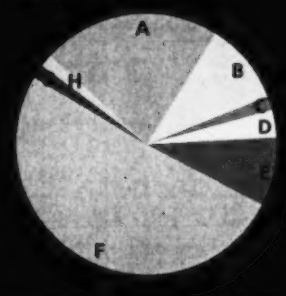
(1) Excluding FAIRE government mandates.

With respect to the types of financing operations authorized during the fiscal year, two comments are worth noting:

- Loan guarantees, loans and equity loans are predominant, representing 86% of the number of financing operations. The value of these operations represents 72% of the Corporation's overall commitments.
- Non-refundable or conditional-refund contributions and interest-free loans represent 7% of the number of financing operations, while the value of these operations represents more than 23%.

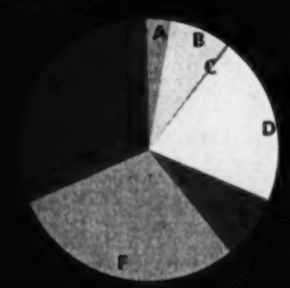
Breakdown of Financing Operations – FAIRE (Government Mandates), 2002-2003 (by Number)

A	Loan guarantee	22.0%
B	Loan	10.2%
C	Equity loan	1.7%
D	Interest-free loan	3.4%
E	Non-refundable contribution	8.5%
F	Financial commitment guarantee	50.9%
G	Preferred share capital	1.7%
H	Others	1.6%



Breakdown of Financing Operations – FAIRE (Government Mandates), 2002-2003 (by Value)

A	Loan guarantee	3.1%
B	Loan	7.4%
C	Equity loan	0.4%
D	Interest-free loan	20.7%
E	Non-refundable contribution	7.9%
F	Financial commitment guarantee	29.2%
G	Preferred share capital	31.3%

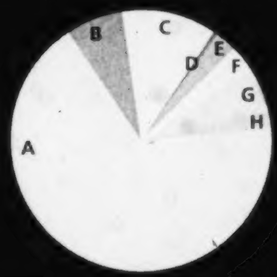


The financing operations authorized by the Corporation under the FAIRE program (Government mandates) break down as follows:

- Loan guarantees and financial commitment guarantees represent 73% of the number of financing operations. The value of these guarantees represents 32% of total financing.
- The share of non-refundable contributions and interest-free loans is 12% of the number of operations, but represents 29% of total financing.
- The value of financing operations authorized for the preferred share capital category represents more than 31% of total financing, but only 1.7% of the number of operations.
- Direct financing (loan and equity loan) represents 12% of the number of operations, but 8% of total financing.

Breakdown of Financing Operations [1], 2002-2003 (by Number)

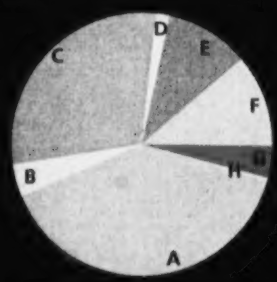
A	Loan guarantee	67.1%
B	Loan	7.1%
C	Equity loan	11.7%
D	Conditional-refund contribution	0.5%
E	Interest-free loan	2.7%
F	Non-refundable contribution	3.3%
G	Financial commitment guarantee	5.5%
H	Others	2.1%



(1) Excluding FAIRE (Government mandates)

Breakdown of Financing Operations [1], 2002-2003 (by Value)

A	Loan guarantee	39.0%
B	Loan	4.0%
C	Equity loan	29.3%
D	Conditional-refund contribution	1.6%
E	Interest-free loan	10.4%
F	Non-refundable contribution	11.4%
G	Financial commitment guarantee	3.9%
H	Others	0.4%



(1) Excluding FAIRE (Government mandates)

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- Loan guarantees, loans and equity loans are predominant, representing 86% of the number of financing operations. The value of these operations represents 72% of the Corporation's overall commitments.
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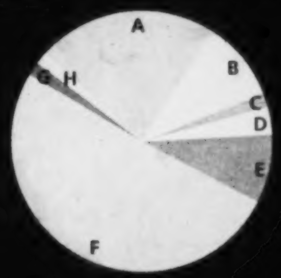
Breakdown of Financing Operations – FAIRE (Government Mandates), 2002-2003 (by Number)

A	Loan guarantee	22.0%
B	Loan	10.2%
C	Equity loan	1.7%
D	Interest-free loan	3.4%
E	Non-refundable contribution	8.5%
F	Financial commitment guarantee	50.9%
G	Preferred share capital	1.7%
H	Others	1.6%



Breakdown of Financing Operations – FAIRE (Government Mandates), 2002-2003 (by Value)

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B	Loan	7.4%
C	Equity loan	0.4%
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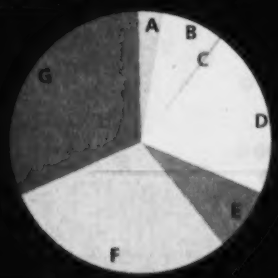
E	Non-refundable contribution	7.9%
F	Financial commitment guarantee	29.2%
G	Preferred share capital	31.3%



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- The value of financing operations authorized for the preferred share capital category represents more than 31% of total financing, but only 1.7% of the number of operations.
- Direct financing (loan and equity loan) represents 12% of the number of operations, but 8% of total financing.

Financing Authorized by La Financière du Québec

La Financière du Québec, a subsidiary of Investissement Québec, authorized 949 financing operations with a total value of $387 million, including certain projects of the FAIRE program. Loans granted by La Financière account for 40% of this amount, loan guarantees, 52% and interest-free loans and refundable and non-refundable financial contributions, 8%. This financing was mainly granted under the SMB Financial program, for the Production and alliance, Research and development and Ad hoc working capital segments, as well as the Biolevier program. The total value of projects financed by La Financière stood at $1.4 billion.

Expertise

Recommendations to External Organizations

Recognized for its financial expertise, La Financière du Québec acts as an analyst and advisor for government departments and agencies. During the year, it analyzed 186 investment projects, primarily for the Ministère des Régions[2] (85.5%).

Recommendations to External Organizations

	2002-2003	2001-2002
Ministère des Régions		
Programme de soutien aux projets économiques (P.S.P.E.)	159	37
Other programs	0	24
Sub-total	**159**	**61**
Fonds de développement économique de la capitale nationale	15	43
Société de la faune et des parcs du Québec	0	2
Association touristique régionale de la Gaspésie	12	0
Total	**186**	**106**

Immigrant Investors Program

In 2002-2003, 155 financing operations were authorized under the Immigrant Investors Program, for a total contribution of $38.8 million. Of this number, 56.8% were implemented in the Montréal, Montérégie and Chaudière-Appalaches regions, representing 57.8% of the value of the projects selected. The total value of projects was $368.1 million, exceeding the annual objective of $330 million by 11.5%.

Files Authorized Under the Immigrant Investors Program

	Objectives 2002-2003	2002-2003	2001-2002
Number of financing operations	121	155	51
Value of projects ($M)	330.0	368.1	123.9
Financial contribution ($M)	33.6	38.8	14.4

Fiscal Measures Related to Job Creation

Since March 2000, fiscal measures related to job creation have been helping support businesses that create jobs in highly promising sectors (new economy, biotechnology, information and communications technologies, etc.) or in resource regions in Québec. Investissement Québec issues eligibility attestations or certificates to these companies.

2. Investissement Québec advises the Ministère des Régions notably regarding the Programme de soutien aux projets économiques (P.S.P.E.).

Attestation applications come from new companies as well as companies already benefiting from fiscal measures which have to demonstrate each year that they meet the eligibility conditions. In 2002-2003, the Corporation issued 411 new eligibility attestations to companies that expected to create some 7,854 jobs over a maximum period of three years, which is 18% higher than the objective of 347 new attestations it had set for the fiscal year.

Certificates and Attestations

		New Certificates and Attestations		New Jobs (1)(2)	
Fiscal Measure	**Objectives 2002-2003**	**2002-2003**	**2001-2002**	**2002-2003**	**2001-2002**
Information Technology Development Centres (CDTI)	9	7	12	191	599
Cité du multimédia	11	11	19	532	696
New Economy Centres (CNE)	47	73	63	2,225	1,578
Centre national des nouvelles technologies de Québec (CNNTQ)	13	23	19	1,183	382
Tax credit for Gaspésie and other maritime regions	10	13	11	588	293
Tax credit for Innovation Centres	15	4	0	91	0
Tax credit for nutraceuticals and functional foods	5	1	0	29	0
Tax credit for resource regions	150	152	127	2,915	3,134
Tax credit for the production of multimedia titles	80	117	57	n. avail.	n. avail.
Tax credit for digital shows	0	0	1	n. avail.	n. avail.
Tax credit for Technopôle Angus	2	1	4	n. avail.	n. avail.
Tax credit for the Vallée de l'aluminium	5	9	10	100	n. avail.
Total	**347**	**411**	**323**	**7,854**	**6,682**

(1) According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.
(2) To avoid double counting, these jobs are not added to those related to financing projects.

Hence, SMBs active in highly promising technology sectors continued this year to use tax credits or tax holidays to increase their human resources and expertise, while having the option of moving into premises adapted to their activities.

Applications concerning tax credits for the production of multimedia titles, which doubled during the fiscal year, were particularly instrumental in the overall increase in the number of certificates and attestations issued in 2002-2003. This increase is attributable notably to the explosion in the edutainment and e-learning software market.

Many applications were also submitted for fiscal measures aimed at SMBs in resource regions, representing 37% of attestations or certificates issued by the Corporation in 2002-2003 and 37% of new jobs forecast.

Investissement Québec also delivered a large number of eligibility attestations[3] concerning companies that were already benefiting from fiscal measures for more than one year. In 2002-2003, 714 attestations were renewed, 41.8% of which were under the New Economy Centres (CNE) measure, 18.5% in favour of the Information Technology Development Centres (CDTI), and 17.8% and 21.8% respectively for the Cité du multimédia and the Centre national des nouvelles technologies de Québec (CNNTQ).

3. Attestations were issued based on the eligibility of activities, employees, equipment and foreign specialists.

The number of attestations renewed was 13.9% below the stated objective. Applications related to the measures concerning the Cité du multimédia and CDTIs – measures that have been in place for several years now – were fewer than expected due to the difficult economic climate in the new economy sectors.

Attestation Renewals by Fiscal Measure, 2002-2003

	Objectives 2002-2003	2002-2003	2001-2002
Information Technology Development Centres (CDTI)	201	132	167
Cité du multimédia	176	127	142
New Economy Centres (CNE)	298	299	244
Centre national des nouvelles technologies de Québec (CNNTQ)	154	156	122
Total	**829**	**714**	**675**

Fiscal Measures Related to Business Capitalization

Launched in 1985, Québec Business Investment Companies (QBICs) facilitate investment in the common shares of SMBs, in return for tax benefits. The creation of a QBIC involves the incorporation of a joint stock company, the recruitment of shareholders, and the registration and validation of the investment with Investissement Québec. In 2002-2003, the Corporation registered 34 new QBICs and validated 53 new investment projects with a total value of $7.0 million. Registrations and validations for this year are lower than those of 2001-2002 and below the objectives set for 2002-2003.

The differences are primarily due to the following factors:

- The weak economy and the wave of mergers, consolidations, fund closings and asset writedowns led the venture capital industry in North America to consolidate its positions and to reduce the amounts invested in businesses. In 2002, the amount of financing in Québec fell by 27% from 2001, despite a slight 3% increase in the number of financing operations[4];
- Investors in the industry preferred to finance companies that were already in their portfolios, while QBICs supported start-up businesses, which account for 70% of investments in 2002-2003;
- No QBIC shares were issued for public investments, due to a less favourable stock market environment;
- QBICs mainly supported businesses in the regions, unlike the Québec venture capital industry which, in 2002, concentrated its investments in the Montréal and Capitale nationale regions. The regions received 70% of the amounts invested by QBICs.

Québec Business Investment Companies

	Objectives 2002-2003	2002-2003	2001-2002
Number of registrations	50	34	57
Number of investments validated	n. avail.	53	71
Value of investments ($M)	20.0	7.0	13.4

4. Source: Québec's Venture Capital Industry, 2002, Macdonald & Associates Limited, www.reseaucapital.com

Fiscal Measures by Region

New companies that benefited from fiscal measures in 2002-2003 are spread across all of Québec. However, five regions dominate: Montréal (105), Mauricie (60), Bas-Saint-Laurent (49), Capitale nationale (43), and Saguenay–Lac-Saint-Jean (35).

The Mauricie and Capitale nationale regions were very active in creating jobs. The two account for 43% of the 7,854 new jobs created. Fiscal measures in the Montréal region helped create fewer jobs than in 2001-2002, with 557 new jobs versus 1,050 a year earlier.

New Certificates or Attestations by Region

	2002-2003		2001-2002	
Administrative Region	Number of Attestations or Certificates	New Jobs Declared (1)	Number of Attestations or Certificates	New Jobs (1)
01- Bas-Saint-Laurent	49	690	57	1,416
02- Saguenay–Lac-Saint-Jean	35	621	31	294
03- Capitale nationale	43	1,353	47	838
04- Mauricie	60	1,997	40	1,032
05- Estrie	8	140	6	59
06- Montréal	105	557	63	1,050
07- Outaouais	4	59	7	373
08- Abitibi-Témiscamingue	22	217	13	251
09- Côte-Nord	12	287	6	288
10- Nord-du-Québec	0	0	0	0
11- Gaspésie–Îles-de-la-Madeleine	16	437	12	202
12- Chaudière-Appalaches	8	109	8	114
13- Laval	4	275	4	162
14- Lanaudière	3	48	4	51
15- Laurentides	9	188	9	215
16- Montérégie	25	768	15	320
17- Centre-du-Québec	8	108	1	17
Sub-total – Resource regions (2)	**194**	**4,249**	**159**	**3,483**
Total (3)	**411**	**7,854**	**323**	**6,682**

(1) Job creation is spread over a three-year period.
(2) The resource regions considered in this table are: Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine.
(3) To avoid double counting, these jobs are not added to those related to financing operations.

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Foreign Investments

In 2002-2003, 42 of the 87 financing operations (48%) authorized under the FAIRE program supported investments worth $3.84 billion carried out by companies under foreign control[5]. These investments represent 83% of the value of projects supported by this program, compared with 53% last year.

According to the Corporation's 2002-2005 business plan, 45% of the total amount of investments supported under the FAIRE program must be realized by foreign companies. Despite the strong competition between Québec and other locations around the world, Investissement Québec far exceeded its objective for the 2002-2003 fiscal year.

Certain characteristics distinguish investments under foreign control in the FAIRE program:

- The average investment of companies under foreign control was five times greater than that of local companies;
- The leverage of financing on investments by companies under foreign control was 50% higher than that of investments by local companies;
- Investments carried out by companies under foreign control account for higher capital expenditures but fewer jobs created per million dollars invested than those of local companies.

5. A company is considered under foreign control when 50% or more of its voting shares are owned outside Québec.

Prospecting Activities

In its prospecting activities, Investissement Québec targeted several foreign companies, offering them customized solutions, regional and sectoral information, possible site locations, financial aid and contact with other private and public economic development stakeholders in Québec.

In 2002-2003, Investissement Québec carried out 193 prospecting initiatives and received 450 missions of foreign investors. The Corporation therefore exceeded its annual objectives in terms of prospecting activities. Compared with the previous fiscal year, the number of prospecting initiatives increased by 4.9%, while the number of missions received rose by 46.6%. In this regard, the Corporation surpassed its objective of 268 by 67.9%. This increase in the number of missions received is partly attributable to the strong interest that companies from all continents, expecially Europe, have for Québec.

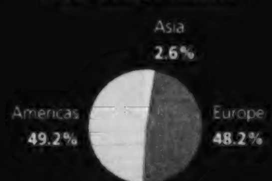
It should be noted that 238 proposals were presented to potential investors, an increase of 65% from the previous fiscal year.

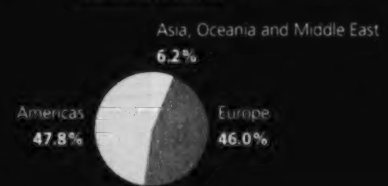
Prospecting Initiatives Among Foreign Investors

	Objectives	March 31, 2003	March 31, 2002
Prospecting initiatives	174	193	184
Missions of potential foreign investors received in Québec	268	450	307

During the year, the Corporation did its prospecting mostly in North America, Europe and Latin America. The geographic distribution of its prospecting activities remained virtually unchanged from the previous year. However, missions received from the Americas were proportionately fewer while those from Europe were higher than in 2001-2002.

Geographic Breakdown of Prospecting Initiatives, 2002-2003





Thanks to its financing programs and its domestic and international agents, Investissement Québec obtained 74 projects from foreign companies for total investments of $4.0 billion. These projects will lead to the creation of 9,743 jobs[6]. Nearly 57% of the projects received financial aid under the FAIRE program.

6 According to the plan provided by the companies, project completion and job creation are spread over a maximum period of three years.

Promotion Activities

Foreign Investors

The Corporation has developed a communication and marketing plan aimed at investors in priority economic areas to support its prospecting activities in foreign markets. This strategy and the regular release of information on the Québec economy, including a quarterly newsletter on international investment, allowed the Corporation to enjoy substantial coverage in several influential foreign publications, which are showing a growing interest in Québec's dynamic economic model. It also received a dozen foreign journalists and participated in 77 international events to promote Québec and the Corporation among foreign investors.

Moreover, Investissement Québec has developed a special communication strategy for its clientele of foreign subsidiaries located in Québec. Aware of the important role played by this clientele, the Corporation prepared an information bulletin and organized a series of events to develop business ties with these companies.

Investissement Québec won two awards for the quality of its promotional material from the International Economic Development Council (IEDC). It also received three awards at the Canadian Economic Development Association (CEDA) convention for its communication and marketing tools as well as for its Web site.

These awards place Investissement Québec among the best agencies in the world for the quality of its promotional material and prospecting tools. Investissement Québec was also recognized as being one of the ten best economic agencies in North America by the trade publication *Site Selection* during the convention of the International Development Research Council in Salt Lake City in May 2002.

Québec Investors

Investissement Québec organized a broad range of activities to promote its financial products and those of its subsidiary, La Financière du Québec, among Québec-based companies. These promotional activites produced positive results for the Corporation.

In Québec, representatives from Investissement Québec and La Financière du Québec participated in about 170 public events–conventions, galas, fairs and exhibitions–generally organized by various economic stakeholders, such as chambers of commerce or sectoral associations. The Corporation also held several seminars to explain its financial products to its partners and potential clients.

In addition, Investissement Québec held 39 press conferences, issued 66 press releases and handled 150 enquiries from the print and electronic media. These sustained activities led to the publication of 26 feature articles and nearly 700 neutral or favourable mentions in different media.

For the third straight year, the Corporation also linked up with the magazine *PME* to publish the guide entitled "En Affaires au Québec", 25,000 copies of which were distributed to business clients.

Files Under Review

As at March 31, 2003, Investissement Québec had 1,000 files under review providing a positive outlook for the 2003-2004 fiscal year. Of this number, 641 were financing applications and 346 were applications for attestations or eligibility certificates.

Files Under Review

	March 31, 2003	March 31, 2002	Variation
New financing applications [1]			
- Short-term	134	126	6.3%
- Long-term	507	602	(15.8%)
Sub-total	**641**	**728**	**(12.0%)**
Applications for eligibility attestations or certificates [2]	346	138	150.7%
Applications under the Immigrant Investors Program	13	9	44.4%
Total	**1,000**	**875**	**14.3%**

Commitments

	March 31, 2003	March 31, 2002	Variation
Total commitments [3] ($M)	**2,093**	**1,957**	**7.0%**

(1) Financing applications under the FAIRE, SMB Financial, NPO Guarantee, Coop Guarantee, Capitalization of social economy enterprises, Group Entrepreneurship, SMB Spark and Bioleveler programs.
(2) Applications for attestations or eligibility certificates concerning fiscal measures and QBICs.
(3) Total commitments correspond to Note 22 of the financial statements.

Financing applications for the year were down 12% from those of March 31, 2002, mainly due to a 15.8% decrease in long-term financing applications attributable to:

- the decline in applications being studied under the SMB Spark program;
- the elimination of the economic aid measure as at March 31, 2003;
- a decrease in support applications for large projects.

Applications for attestations or eligibility certificates for fiscal measures more than doubled (+ 150.7%) from the previous fiscal year. This strong increase is attributable to many factors, including:

- better knowledge of the measure to support processing activities in resource regions;
- strong growth of the edutainment and e-learning software market, in respect of which companies request tax credits for the production of multimedia titles.

Client Service

Client Satisfaction

Service quality is of strategic importance for Investissement Québec. It is defined mainly in terms of reception, professionalism and competence, flexibility, application processing time and accessibility. Each year, the Corporation assesses the level of satisfaction of its clients and partners with regard to its contribution and its collaboration.

Between June 2002 and January 2003, it conducted a survey on 722 client companies and 526 partner financial institutions. At the end of April 2003, the response rate was 37% for clients and 38% for financial institutions.

Assessed on the basis of five priority aspects, the Corporation's quality of service is generally very appreciated by its clients and partners, who say overall that they are satisfied with Investissement Québec's services, with satisfaction rates of 86% and 91%, respectively.

Satisfaction Rate

	2002-2003		2001-2002	
	Client Companies	Financial Institutions	Client Companies	Financial Institutions
Reception	88%	91%	93%	93%
Professionalism and competence	89%	94%	93%	95%
Adaptability and flexibility	85%	93%	91%	94%
Processing time	78%	81%	87%	92%
Accessibility and visibility	84%	89%	88%	94%
General satisfaction[1]	86%	91%	91%	94%

(1) Satisfaction for all aspects evaluated.

This survey also shows the importance that companies and financial institutions place on professionalism and competence. As in years past, this service element is considered the most important and the most satisfying as well as the primary strength of Investissement Québec.

It should be noted that a detailed analysis of the results of the 2002-2003 client satisfaction survey is being carried out and will provide a better comparison of the changes from one year to the next.

Changes in Fiscal Measures and Financing Products

In the complementary budget statement for 2002-2003, the Québec government changed the Corporation's line of financing and fiscal products to better meet the needs of companies and to account for the economic slowdown.

New financing and fiscal tools were developed, aimed primarily at stimulating the creation and establishment of businesses in the biotechnology sector. Hence, a new capitalization program called Biolevier was launched, as well as new tax credits designed for companies specializing in the development of nutraceuticals, functional foods and human health.

New sites, the Innovation Centres, were designed and offer tax credits to companies in order to stimulate the knowledge economy.

Finally, changes were made to fiscal measures in order to encourage processing activities in resource regions.

Revisions of the terms and conditions of programs were envisaged to ensure that the Corporation's products are better adapted to its clients' needs. This exercise is still ongoing.

SECTION

An Economically Profitable Corporation 03

Impact by Program

Evaluated in terms of jobs, added value and tax and incidental tax revenue collected by the Québec government[7] impact of the activities of Investissement Québec and its subsidiaries, La Financière du Québec and IQ Immigrants Investisseurs inc., is presented in this section for the

- *portfolio* segment, which corresponds to the value of the annual economic activity generated by the Corporation's clients that have obtained financing since 1988;
- *projects* segment, representing the value of the establishment of assets for projects approved during the 2002-2003 fiscal year, mainly in the construction, machinery manufacturing and production equipment sectors.

Value of Input for Economic Impact

The evaluation of the economic impact of the *projects* segment is based on the projects financed during the 2002-2003 fiscal year. It concerns 87% of the financing operations granted, since financing offers refused as at March 31, 2003 and financing of export sales are excluded from this evaluation.

The evaluation of the Corporation's portfolio reflects the overall activity of companies financed between 1988 and 2003 and whose file is still active and administered by the Corporation. Companies used in the evaluation are those whose financial statements[8] were available at the time of the evaluation. Consequently, this year's analysis concerns 79% of the companies in the portfolio.

7 The evaluation method is presented in Appendix 6.
8 Companies whose fiscal year ended between July 1, 2001 and June 30, 2002.

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Value of Input on Economic Impact [1], 2002-2003

	Projects		Portfolio		
				Financial Support	
Program or Program Segment	Simulated Value ($M)	Proportion of Simulated Value / Authorized Value	Sales ($M)	Total ($M)	Sample ($M)
SMB Financial					
Production and alliance					
Investment	171.3	100%	2,433.8	210.9	173.8
Consolidation	48.2	99%	240.6	18.7	17.8
Tourism	11.0	100%	74.1	25.6	22.0
Research & development	371.7	94%	466.2	54.9	51.1
Exports	77.1	92%	1,769.1	125.5	116.8
Working capital					
Growth	12.2	99%	119.7	7.6	6.3
Ad hoc 1	–	–	90.1	3.5	3.5
Ad hoc 2	–	–	7.7	0.2	0.2
Ad hoc 3	112.2	96%	1,053.6	78.3	67.0
Recovery	22.5	89%	268.6	6.8	5.9
Experimentation measure	12.2	100%	51.0	7.7	6.7
Specific programs					
Group entrepreneurship	34.1	94%	1,263.5	112.4	109.1
Capitalization of social economy enterprises	39.4	99%	313.3	85.2	77.0
SMB Spark	46.4	99%	81.5	26.7	17.8
Recyc-Québec	–	–	12.2	2.0	2.0
Expertise					
Immigrant Investors	333.5	91%	924.0	50.0	22.4
Major projects					
Biolevier	114.0	100%	0.6	10.0	10.0
FAIRE [2]	4,630.8	100%	15,768.1	1,278.0	912.0
Government mandates	–	–	3,259.6	720.0	714.5
Total [3]	**6,036.6**	**87%**	**24,541.7**	**2,824.0**	**2,335.9**

(1) Projects and sales related to the activities of companies that benefited from the Immigrant Investors program were included in the economic impact evaluation, since they have an effect on Québec's economy.
(2) Including government mandates financed with funds from the FAIRE program.
(3) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns of this table do not correspond to the registered totals.

Jobs

For the *projects* segment, companies that benefited from the FAIRE program (22,241 jobs), the Research and development segment (7,194) of the SMB Financial program as well as the Immigrant Investors program (2,809) hired the largest number of workers to implement their projects.

As for the *porfolio* segment, apart from the FAIRE program (126,011 jobs), the Investment (28,981) and Exports (22,074) segments of the SMB Financial program as well as government mandates (24,799) had the greatest impact on employment in Québec.

It should be noted that the leading programs or program segments in terms of jobs have been offered for several years now by Investissement Québec.

Jobs[1] by Program or Program Segment, 2002-2003

	Related to Projects			Related to Portfolio		
Program or Program Segment	Direct	Indirect	Total	Direct	Indirect	Total
SMB Financial						
Production and alliance						
Investment	886	555	1,441	20,481	8,500	28,981
Consolidation	194	265	459	1,533	937	2,470
Tourism	92	45	137	816	307	1,123
Research & development	5,839	1,355	7,194	4,308	1,658	5,966
Exports	955	286	1,241	15,285	6,789	22,074
Working capital						
Growth	60	34	94	715	280	995
Ad hoc 1	–	–	–	615	264	879
Ad hoc 2	–	–	–	90	33	123
Ad hoc 3	861	411	1,272	7,116	3,903	11,019
Recovery	110	75	185	2,774	979	3,753
Experimentation measure	142	48	190	264	151	415
Specific programs						
Group entrepreneurship	333	157	490	14,754	6,376	21,130
Capitalization of social economy enterprises	460	149	609	10,264	1,104	11,368
SMB Spark	409	161	570	828	325	1,153
Recyc-Québec	–	–	–	36	36	72
Expertise						
Immigrant Investors	1,698	1,111	2,809	5,962	4,213	10,175
Major projects						
Biolevier	1,376	487	1,863	2	2	4
Government mandates	–	–	–	16,046	8,753	24,799
FAIRE[2]	10,654	11,587	22,241	77,557	48,454	126,011
Total[3]	**24,069**	**16,726**	**40,795**	**151,948**	**79,880**	**231,828**

Sources: Investissement Québec and Institut de la statistique du Québec.
(1) Workload, in person-years, required for the realization of sales by client companies and their suppliers.
(2) Including government mandates financed with funds from the FAIRE program.
(3) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns in this table do not correspond to the registered totals.

Added Value

A company produces added value when it establishes assets to carry out its projects or transforms raw materials, goods or components with Québec content. Added value is also evaluated in terms of the impact of the company's sales as well as those of its suppliers.

For the *projects* segment, the FAIRE program continues to dominate, with nearly $1.4 billion in added value, followed by the Research and development segment of the SMB Financial program, with an estimated added value of $305.7 million.

The FAIRE program also stands out in the *porfolio* segment, with an added value of $8.9 billion.

Added Value by Program or Program Segment, 2002-2003

Program or Program Segment	Related to Projects ($M)	Related to Portfolio ($M)	Portfolio Productivity (Added Value Per Job) ($)
SMB Financial			
Production and alliance			
Investment	81.5	1,570.3	54,185
Consolidation	27.0	156.7	63,412
Tourism	8.3	59.4	52,872
Research & development	305.7	306.0	51,291
Exports	61.0	1,146.3	51,928
Working capital			
Growth	6.2	71.1	71,520
Ad hoc 1	–	50.6	57,570
Ad hoc 2	–	6.4	52,268
Ad hoc 3	76.5	635.9	57,706
Recovery	12.5	170.0	45,283
Experimentation measure	8.9	29.7	71,753
Specific programs			
Group entrepreneurship	25.9	899.2	42,557
Capitalization of social economy enterprises	28.8	279.1	24,553
SMB Spark	26.8	56.4	48,960
Recyc-Québec	–	6.2	85,589
Expertise			
Immigrant Investors	157.2	574.7	56,480
Major projects			
Biolevier	90.7	0.3	88,056
FAIRE [1]	1,433.5	8,881.6	70,483
Government mandates	–	1,776.1	71,620
Total [2]	**2,350.5**	**14,458.8**	**62,369**

Sources: Investissement Québec and Institut de la statistique du Québec.
(1) Including government mandates financed with funds from the FAIRE program.
(2) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns of this table do not correspond to the registered totals.

Québec Government Revenue

As for the impact on tax and incidental tax revenue, the FAIRE program ranks first ($1,314.3 million), followed by government mandates ($228.4 million) and the Investment segment ($220.6 million) of the SMB Financial program.

Québec Government Revenue by Program or Program Segment, 2002-2003

	Tax Revenue ($M)		Incidental Tax Revenue ($M)		Total ($M)
Program or Program Segment	Related to Projects	Related to Portfolio	Related to Projects	Related to Portfolio	
SMB Financial					
Production and alliance					
Investment	5.4	90.1	7.2	117.9	220.6
Consolidation	2.1	10.0	1.9	10.9	24.9
Tourism	0.6	4.0	0.8	4.3	9.7
Research & development	22.6	20.2	25.5	22.9	91.2
Exports	3.6	66.8	4.2	84.9	159.5
Working capital					
Growth	0.4	3.5	0.4	4.6	8.9
Ad hoc 1	–	2.7	–	3.6	6.3
Ad hoc 2	–	0.4	–	0.4	0.8
Ad hoc 3	4.7	35.8	5.5	48.1	94.1
Recovery	0.7	8.2	0.8	12.4	22.1
Experimentation measure	0.6	1.8	0.6	2.0	5.0
Specific programs					
Group entrepreneurship	1.7	55.9	2.1	69.4	129.1
Capitalization of social economy enterprises	2.1	10.6	3.3	16.3	32.3
SMB Spark	1.7	3.5	2.2	4.5	11.9
Recyc-Québec	–	0.4	–	0.3	0.7
Expertise					
Immigrant Investors	11.3	30.9	16.3	41.7	100.2
Major projects					
Biolevier	6.0	0.0	6.4	0.0	12.4
Government mandates	–	113.9	–	114.5	228.4
FAIRE (1)	92.9	523.1	115.3	583.0	1,314.3
Total (2)	**156.4**	**847.2**	**192.5**	**970.5**	**2,166.6**

Sources: Investissement Québec and Institut de la statistique du Québec

(1) Including government mandates financed with funds from the FAIRE program.

(2) The same company can benefit from more than one financing operation and hence be accounted for in more than one program or program segment. As a result, the sums of certain columns of this table do not correspond to the registered totals.

Economic Profitability Ratio

Investissement Québec systematically evaluates the impact of the projects it finances. In 2002-2003, the Corporation financed projects worth nearly $6.6 billion. According to projected sales, the companies it supported expect to create 13,881 jobs over the next three years. These new jobs will generate a net increase in employment for the Québec economy.

Firstly, Investissement Québec's model evaluates the impact related to the expansion or construction of buildings, manufacture and the installation of machinery, which mainly generate activities in the construction and machinery manufacturing industries. According to the estimate established using the input-output model, the economic impact related to the establishment of assets financed by the Corporation represents a workload of 40,795 person-years. Engineers, architects, construction workers and technicians will generate $348.9 million in tax and incidental tax revenue for the Québec government.

Secondly, Investissement Québec analyzes the impact of increased annual sales related to the use of assets financed in previous years. For the current fiscal year, the total sales of 79% of client companies were over $24.5 billion. According to the input-output evaluation model, achieving these sales requires a workload of 231,828 person-years. For their part, these workers will generate more than $1.8 billion in various forms of taxes for the government.

Investissement Québec does not claim full credit for the impact of its clients' activities, but rather for the marginal contribution related to its own action. The attribution model is used to evaluate projects whose financial structure exceeds the risk threshold of lending institutions, or projects that would otherwise be implemented outside Québec. In both cases, the model only takes into account the results of companies whose projects generate a net gain for the Québec economy. The result of these operations is used to evaluate the share of the impact attributable to the Corporation's action.

From the overall evaluations and according to the share of the impact attributable to Investissement Québec, total revenue from the implementation of projects is estimated at $121.7 million or 34.9%, while total revenue related to sales is estimated at $526.8 million or 29.0%. These revenues amount to $648.5 million and constitute the revenue that the government derives from Investissement Québec's activities.

Summary of Economic Impact Related to the Activities and Projects of Client Companies of Investissement Québec

	2002-2003	2001-2002
***Projects* segment**		
Value of simulated projects	$6,036.6 M	$4,023.8 M
Economic impact		
Jobs (person-years)	40,795	41,106
Added value	$2,350.5 M	$2,192.0 M
Québec government revenue	$348.9 M	$354.6 M
***Portfolio* segment**		
Sales[1]	$24,541.7 M	$22,050.2 M[3]
BSIP sales	$0 M	$1,798.0 M
Total sales	$24,541.7 M	$23,848.2 M
Economic impact		
Jobs (person-years)	231,828	212,880
Added value	$14,458.8 M	$15,234.4 M
Added value per job	$62,369	$71,563
Québec government revenue	$1,817.7 M	$1,753.6 M
Tax and incidental tax revenue attributable to Investissement Québec		
Projects segment	$121.7 M	$129.9 M
Portfolio segment	$526.8 M	$517.2 M
Total revenue attributable to Investissement Québec	**$648.5 M**	**$647.1 M**
Costs	$245.5 M$	$215.9 M[4]
Cost-benefit ratio	**2.64/1**	**3.00/1**

(1) According to the sectoral total, which is equivalent to the regional total.
(2) Business Start-up Investment Program.
(3) Sales for 2001-2002 were adjusted following an improvement in the evaluation method. However, revenue attributable to the Corporation's financing operations are not affected by this change. In the 2001-2002 annual report, the cost was $201.9 million; this amount was adjusted to $215.9 million.
(4) Due to the adjustment of certain data, the costs and cost-benefit ratios presented in the 2001-2002 annual report were revised and replaced with those appearing in the table above.

The foregoing evaluation shows that, for each dollar of cost generated by the Corporation, the Québec government received $2.64 in tax and incidental tax revenues in 2002-2003. Investissement Québec is therefore an economically profitable corporation, since the Corporation's objective is to reach a ratio greater than 1.

However, in relation to the previous fiscal year, the ratio went from 3.00/1 to 2.64/1. This decrease is attributable to the improved productivity of Québec workers over the past few years. As a result of this improvement, the government collects fewer tax revenues for an equivalent level of economic activity. In addition, the cost of the FAIRE program has increased because Investissement Québec assumes costs related to files approved since its creation in 1998. It should be noted that the economic impact stems primarily from the use of assets financed. This impact is evident after the project is completed, which means after the disbursement period.

For these reasons, the ratio over a period of five years is a complementary indicator to the annual ratio. The five-year ratio stands at 3.77/1, which reconfirms the Corporation's economic profitability.

Impact on Québec Economy

The financial support provided by the Corporation to companies whose projects could be realized outside Québec or whose projects exceed the risk threshold of private financial institutions help stimulate the Québec economy.

The contribution of these companies is far from negligible for the economy. In 2002-2003, these companies expected to create 13,881 full-time jobs, which corresponds to 11.7% of the number of net full-time jobs created in the Québec economy in 2002[9]. As for the $6.6 billion of investments that Investissement Québec helped create, they represent 28.3% of the investments made in Québec in 2002[10].

For companies that could realize their projects outside Québec, the Corporation has developed precise economic indicators based on factors that affect these companies' choice of location, including proximity to the company's market and origin of shareholders. During the fiscal year, 49% of companies had considered relocating to at least one site outside Québec and 48% of projects were proposed by companies under foreign control. These companies export 80% of their production compared with a 64% average for other companies. In addition, these companies can be courted by a multitude of economic development agencies around the world, which further increases the probability of them carrying out their projects outside Québec.

These economic indicators were used to support the financing operations authorized under the FAIRE program. Companies that obtained financing under this program in 2002-2003 represent current export sales[11] estimated at $4.7 billion on a total of $6.6 billion (71%). Furthermore, the biggest exporters[12] alone account for more than 60% of current jobs. In reality, the production of goods destined for export constitutes an importation of jobs, hence a decrease in unemployment and a net gain for the Québec economy.

9 Source: Institut de la Statistique du Québec (May 9, 2003)
10 Source: Institut de la Statistique du Québec (March 28, 2003)
11 This data includes only export sales of companies already established in Québec, for the year preceding the beginning of the investment project. Current sales are therefore a conservative estimate of future export sales once the projects are realized.
12 A company is considered a big exporter if its sales outside Québec are greater than or equal to 70% of its total sales.

SECTION

Management 04

Corporate Governance and Organizational Structure

Boards of Directors

Investissement Québec

Made up of 11 members appointed by the government, including the President and Chief Executive Officer of the Corporation, Investissement Québec's Board of Directors includes representatives from the business community, cooperatives, unions and the government. Its role is to ensure that Investissement Québec is properly managed, in the best interest of its clients, employees, partners and the government. In this effort, it relies on the principles of sound management and corporate governance, with the help of tools designed in cooperation with management, including:

- the three-year business plan, which sets out the Corporation's orientations, general objectives and strategies;
- the action plan, which contains the Corporation's annual goals;
- the communication policy;
- periodic operating reports as well as the financial statements showing the results in relation to established goals;
- the annual report, with which the Corporation fulfills its obligation of accountability and measures its performance.

In performing its duties, the Board is assisted by an executive committee invested with the power to approve financing operations, as well as an audit committee that monitors the quality of Investissement Québec's financial information and internal controls. In addition, two ethics committees, whose members are appointed by the Board, are responsible for examining all matters related to the interpretation and application of the Code of Ethics of Employees of Investissement Québec and its Subsidiaries and the Code of Ethics of the Board of Directors of Investissement Québec, and to report to the Board.

In addition, the Board of Directors establishes, with the help of Management, the governance principles between Investissement Québec and its subsidiaries, primarily La Financière du Québec and IQ Immigrants Investisseurs inc.

La Financière du Québec

The Board of Directors of La Financière du Québec is made up of the 11 directors of Investissement Québec and the Director General of La Financière du Québec. The President and Chief Executive Officer of Investissement Québec is the ex officio Chairman of the Board of La Financière du Québec. The main function of the Board is to approve financing granted by La Financière du Québec under the programs it manages.

IQ Immigrants Investisseurs inc.

Made up of representatives of Investissement Québec, the Ministère des Relations avec les citoyens et de l'Immigration and the Ministère des Finances, de l'Économie et de la Recherche, the Board of Directors of IQ Immigrants Investisseurs inc. ensures that the business of this subsidiary is properly managed. The mission of IQ Immigrants Investisseurs inc. is to receive and manage capital from immigrant investors, and to administer a financial assistance program using investment income, in partnership with financial intermediaries.

Members of the Boards of Directors of Investissement Québec and La Financière du Québec

Léopold Beaulieu *
President and Chief Executive Officer, Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi
Chairman of the Advisory Committee on the Social Economy
Chairman of the Audit Committee

Mᵉ Éric Bédard *
Senior Partner, Fasken Martineau DuMoulin
Chairman of the Ethics Committee of Employees of Investissement Québec and its Subsidiaries
Member of the Ethics Committee of the Board of Directors of Investissement Québec

Michel Boivin *
Deputy Minister, Ministère des Ressources naturelles

Georges Felli *
Deputy Minister, Ministère de l'Industrie et du Commerce

Marcel Leblanc *
Deputy Minister, ministère de l'Agriculture, des Pêcheries et de l'Alimentation

Luc Meunier *
Associate Deputy Minister, Economic, Fiscal and Budgetary Policies and Financial Institutions, Ministère des Finances, de l'Économie et de la Recherche

André Monette *
President, Gestion André Monette inc.
Member of the Audit Committee
Member of the Ethics Committee of the Board of Directors of Investissement Québec

Maurice Prud'homme *
President and Chief Executive Officer, Investissement Québec
Chairman of the Board of Investissement Québec
Chairman of the Board of La Financière du Québec
Chairman of the Ethics Committee of the Board of Directors of Investissement Québec
Member of the Audit Committee
Member of the Ethics Committee of Employees of Investissement Québec and its Subsidiaries

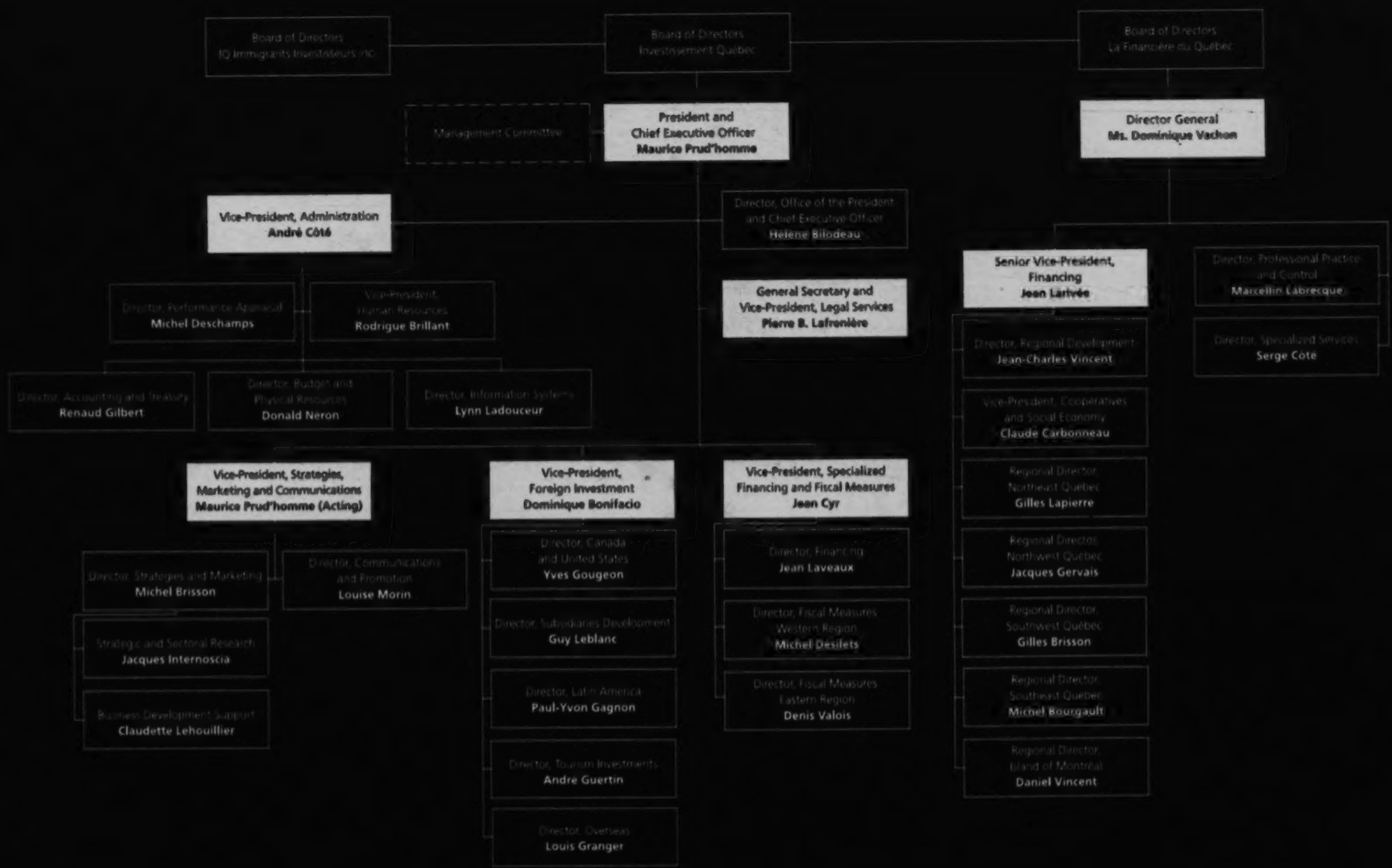
René Roy *
General Secretary, Fédération des Travailleurs et Travailleuses du Québec
Member of the Audit Committee

Rosemonde Mandeville *
President and Chief Scientific Officer, Biophagepharma

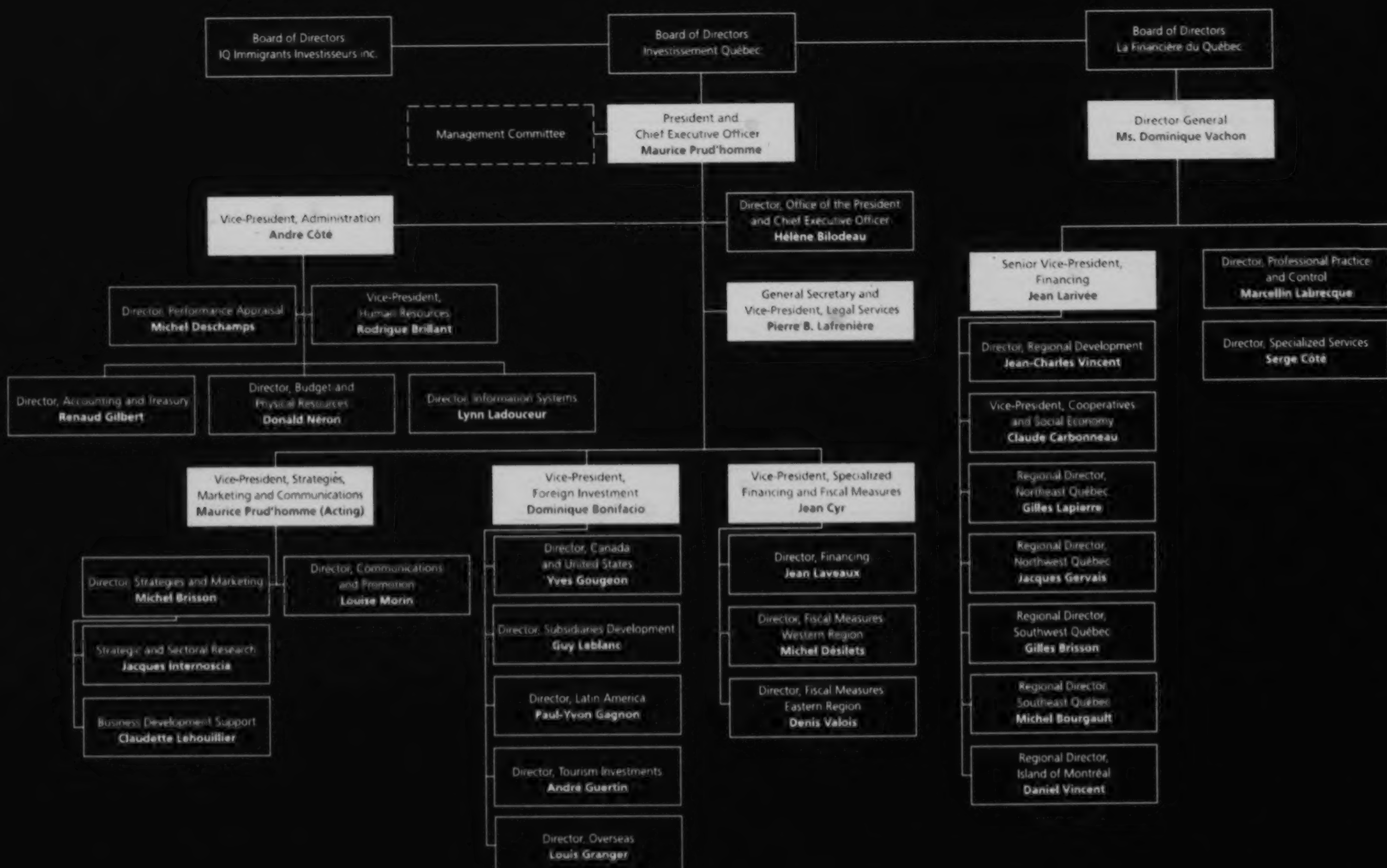
Dominique Vachon **
Director General, La Financière du Québec

* Members of the Boards of Directors of Investissement Québec and La Financière du Québec
** Member of the Board of Directors of La Financière du Québec

There is one vacancy on the Board of Directors of Investissement Québec



Board of Directors
IQ Immigrants Investisseurs inc.
Board of Directors
Investissement Québec
Board of Directors
La Financière du Québec
Management Committee
President and
Chief Executive Officer
Maurice Prud'homme
Director General
Ms. Dominique Vachon
Vice-President, Administration
André Côté
Director, Office of the President
and Chief Executive Officer
Hélène Bilodeau
General Secretary and
Vice-President, Legal Services
Pierre B. Lafrenière
Director, Performance Appraisal
Michel Deschamps
Vice-President,
Human Resources
Rodrigue Brillant
Director, Accounting and Treasury
Renaud Gilbert
Director, Budget and
Physical Resources
Donald Néron
Director, Information Systems
Lynn Ladouceur
Senior Vice-President,
Financing
Jean Larivée
Director, Professional Practice
and Control
Marcellin Labrecque
Director, Specialized Services
Serge Côté
Director, Regional Development
Jean-Charles Vincent
Vice-President, Cooperatives
and Social Economy
Claude Carbonneau
Regional Director,
Northeast Québec
Gilles Lapierre
Regional Director,
Northwest Québec
Jacques Gervais
Regional Director,
Southwest Québec
Gilles Brisson
Regional Director,
Southeast Québec
Michel Bourgault
Regional Director,
Island of Montréal
Daniel Vincent
Vice-President, Strategies,
Marketing and Communications
Maurice Prud'homme (Acting)
Director, Strategies and Marketing
Michel Brisson
Director, Communications
and Promotion
Louise Morin
Strategic and Sectoral Research
Jacques Internoscia
Business Development Support
Claudette Lehouillier
Vice-President,
Foreign Investment
Dominique Bonifacio
Director, Canada
and United States
Yves Gougeon
Director, Subsidiaries Development
Guy Leblanc
Director, Latin America
Paul-Yvon Gagnon
Director, Tourism Investments
Andre Guertin
Director, Overseas
Louis Granger
Vice-President, Specialized
Financing and Fiscal Measures
Jean Cyr
Director, Financing
Jean Laveaux
Director, Fiscal Measures
Western Region
Michel Désilets
Director, Fiscal Measures
Eastern Region
Denis Valois


Board of Directors IQ Immigrants Investisseurs inc.
Board of Directors Investissement Québec
Board of Directors La Financière du Québec
Management Committee
President and Chief Executive Officer Maurice Prud'homme
Director General Ms. Dominique Vachon
Vice-President, Administration Andre Côté
Director, Office of the President and Chief Executive Officer Hélène Bilodeau
General Secretary and Vice-President, Legal Services Pierre B. Lafrenière
Senior Vice-President, Financing Jean Larivée
Director, Professional Practice and Control Marcellin Labrecque
Director, Specialized Services Serge Côté
Director, Performance Appraisal Michel Deschamps
Vice-President, Human Resources Rodrigue Brillant
Director, Accounting and Treasury Renaud Gilbert
Director, Budget and Physical Resources Donald Néron
Director, Information Systems Lynn Ladouceur
Director, Regional Development Jean-Charles Vincent
Vice-President, Cooperatives and Social Economy Claude Carbonneau
Regional Director, Northeast Québec Gilles Lapierre
Regional Director, Northwest Québec Jacques Gervais
Regional Director, Southwest Québec Gilles Brisson
Regional Director, Southeast Québec Michel Bourgault
Regional Director, Island of Montréal Daniel Vincent
Vice-President, Strategies, Marketing and Communications Maurice Prud'homme (Acting)
Vice-President, Foreign Investment Dominique Bonifacio
Vice-President, Specialized Financing and Fiscal Measures Jean Cyr
Director, Strategies and Marketing Michel Brisson
Director, Communications and Promotion Louise Morin
Strategic and Sectoral Research Jacques Internoscia
Business Development Support Claudette Lehouillier
Director, Canada and United States Yves Gougeon
Director, Subsidiaries Development Guy Leblanc
Director, Latin America Paul-Yvon Gagnon
Director, Tourism Investments André Guertin
Director, Overseas Louis Granger
Director, Financing Jean Laveaux
Director, Fiscal Measures Western Region Michel Désilets
Director, Fiscal Measures Eastern Region Denis Valois

Committees

Ethics Committee of Employees of Investissement Québec and its Subsidiaries

This Committee is made up of four members appointed by the Board of Directors of Investissement Québec: Éric Bédard, Chairman of the Committee and director of Investissement Québec, Maurice Prud'homme, President and Chief Executive Officer of Investissement Québec and Acting Vice-President, Strategies, Marketing and Communications, André Côté, Vice-President, Administration, and Pierre B. Lafrenière, General Secretary and Vice-President, Legal Services.

Ethics Committee of the Board of Directors of Investissement Québec

Chaired by Maurice Prud'homme, President and Chief Executive Officer of Investissement Québec and Acting Vice-President, Strategies, Marketing and Communications, this committee comprises three members designated by the Corporation's Board of Directors. Apart from Mr. Prud'homme, the other members of the Committee are: André Monette, director of Investissement Québec, and Éric Bédard, director of Investissement Québec.

Management Committee

The Management Committee is made up of ten members: Maurice Prud'homme, President and Chief Executive Officer of Investissement Québec and Acting Vice-President, Strategies, Marketing and Communications, Dominique Vachon, Director General, La Financière du Québec, André Côté, Vice-President, Administration, Pierre B. Lafrenière, General Secretary and Vice-President, Legal Services, Jean Larivée, Senior Vice-President, Financing, Dominique Bonifacio, Vice-President, Foreign Investment, Jean Cyr, Vice-President, Specialized Financing and Fiscal Measures, Rodrigue Brillant, Vice-President, Human Resources, Hélène Bilodeau, Director of the Office of the President and Chief Executive Officer, and Carole Langlois, Assistant to the President and Chief Executive Officer.

Human Resources

Workforce

The growing number of new applications for the different programs and measures as well as the rising number of files to be monitored have increased the workload of the Corporation's personnel.

In 2002-2003, Investissement Québec adopted a strategic orientation based on a proactive approach of listening and getting closer to the client, supported by the development of regional business centres. This orientation calls for the consolidation of the Corporation's workforce and know-how.

Investissement Québec also took in 11 interns, seven at the university level and four at the college level.

Changes in Workforce [1]

Job Category	March 31, 2003	March 31, 2002
Managers	36	37
Professionals	189	184
Jurists	8	8
Technicians	59	54
Clerical staff	86	83
Total	**378**	**366**

(1) Now includes only regular employees. Supernumeraries were able to replace absent employees on a temporary basis.

Training and Development

The Corporation instituted a skills development plan for each of its employees based on the following seven elements: level of expertise, management, development and client service, foreign languages, information technology and office automation, personal development and careers, as well as Investissement Québec's internal training. The Corporation devoted 4.3% of its payroll to personnel training and development, compared with 4.9% last year. This confirms the importance that the Corporation places on the professional development of its employees in order to improve its client service.

Work Attendance

In 2002-2003, the number of absences for reasons such as illness, maternity leave, personal or family obligations was 6.5 days per employee, representing an absenteeism rate of 2.5%. This rate is slightly lower than that of the previous fiscal year.

It should be noted that Investissement Québec's absenteeism rate is 15% less than the average absenteeism rate in Québec (2000).

Work attendance (absenteeism) as at March 31, 2003

	Investissement Québec		Québec [3]
	2002-2003	2001-2002	2000
Days lost per worker during the year [1]	6.5	6.4	7.8
Rate of absenteeism per year [2]	2.5%	2.5%	3.0%

(1) In working days.
(2) The absenteeism rate is obtained by dividing the number of days lost per worker during the year by 260 days.
(3) Source: Statistics Canada, CANSIM II, table 279-0029, data for 2000.

Turnover Rate

The Corporation's turnover rate stood at 7% or 26 departures in 2002-2003, compared with 8.8% or 31 departures in 2001-2002.

Performance Appraisal Method

The performance appraisal method requires all the Corporation's employees, regardless of their position, to undergo a periodic evaluation based on performance goals. This method also calls for an incentive compensation policy, which stipulates that all salary increases be based on these goals being achieved or exceeded.

Pay Equity Legislation and Investissement Québec

The Corporation became an employer separate from the government in 2001 and was given responsibility for the implementation of the pay equity program.

The two groups affected by the program were professional employees and clerical and technical staff. For the professionals, the pay equity issue has been settled. As for the clerical and technical staff, only job postings remain to be completed, which is generally just a formality.

Process Analysis

The work of analyzing operational processes which the Corporation began this year involved not just the members of the Management Committee and managers, but also about 50 employees of the Corporation, who analyzed and sketched out the operational processes currently in effect at Investissement Québec.

The strong participation of the Corporation's employees in such a project reflects their interest and commitment to help move things forward as well as their concern for improving procedures in a sustained quest for efficiency.

Management Instruments

2002-2005 Three-Year Business Plan

The Corporation finished developing its 2002-2005 three-year business plan, which was approved by the government in November 2002. This plan sets out the strategies, means of action and performance objectives as well as the government's contribution to the financing of the Corporation's activities. It was presented to employees during the year.

Action Plan

To implement its three-year business plan, the Corporation establishes an action plan each year indicating its recurring activities and development activities selected based on the strategies set out in the business plan. The 2002-2003 action plan was communicated to the Corporation's employees by the managers.

Monitoring of Activities

The Corporation uses different tools to monitor its activities, results and financial commitments and to support its decision-making, including an operating report, which shows the objectives set at the beginning of the year in terms of investment, job creation and promotion of Québec and the extent to which these are achieved.

Each quarter, the Management Committee receives a full version of the operating report presenting detailed data on all programs administered by the Corporation as well as on client satisfaction, time required to process files, promotion and communication activities, management of human, budgetary and physical resources, and quarterly financial results.

Other monitoring tools are also used, such as a monthly summary and reports for managers of financing files. These managers also have interactive management indicators that allow them to monitor their financing files in detail and on a weekly basis. The Management Committee also uses an operating report to monitor its actions.

Finally, the operating report is made available to the employees via the Corporation's intranet site.

Management of Financial and Operational Risks

The Corporation uses several instruments to manage the risks it faces due to the nature of its activities, including credit, market, liquidity and operational risks.

Credit Risk

For the Corporation, credit risk is mainly associated with losses it may incur due to the credit quality of its clients. In this regard, it has means to help it make enlightened decisions when analyzing and authorizing a financing operation. In addition, it systematically monitors all financing operations by, among other things, obtaining and analyzing the annual financial statements of client companies, producing a yearly report on progress of these companies, reviewing the risk category on a quarterly basis in order to determine the provision for losses and, in the case of doubtful accounts, updating quarterly the value of securities.

Market Risk

Market risk, according to the Corporation's activities, stems basically from interest rate fluctuations. In this regard, the Corporation seeks the best possible matching of the maturity rates of its assets and liabilities. The largest portion of its weekly or monthly variable-rate loans is financed by borrowings with a duration of about one month. The Corporation completes the matching with derivative products. This method of operation is supported by an interest rate risk management policy.

Liquidity Risk

Liquidity risk is associated with the difficulties that the Corporation may experience in obtaining capital at a reasonable cost due to market volatility. The management of this risk is supported by an overall financing policy. The Corporation ensures that it has diverse sources of financing as well as a borrowing program for both short-term and long-term loans from the Quebec government's Fonds de financement. In addition, short-term borrowing agreements have been concluded with financial institutions. The amounts authorized under these programs and agreements are sufficient to cover all contingencies.

Operational Risk

Operational risk is the risk that the Corporation may incur a loss due to an insufficiency or failure of systems and processes or a human error. The Corporation uses several means to manage this risk, including establishing and monitoring procedures concerning information processes, financing operations and human resources management. More specifically, these measures affect:

- delegation of power and separation of functions;
- rapid production of reliable management information, such as operating reports;
- physical and logical security of systems and computer data;
- process of planning the resumption of activities;
- competence and employee training;
- insurance coverage and appropriate protection of physical assets and offices.

SECTION

_Financial Information 05

Financial Review by Management

General Comments

The Corporation's consolidated financial statements include the financial statements of its wholly owned subsidiaries, namely, La Financière du Québec, IQ Immigrants Investisseurs inc., 9037-6179 Québec inc., 9071-2076 Québec inc. and 9109-3294 Québec inc. These statements comprise of the consolidated balance sheet, the consolidated statements of income and surplus, the consolidated statement of cash flows, and the notes to the consolidated financial statements.

The net value of the Corporation's financing operations portfolio continued to grow during the fiscal year ended March 31, 2003. The portfolio increased by 21%, from $1.49 billion as at March 31, 2002 to $1.80 billion as at March 31, 2003.

This portfolio is made up of loans, shares, units and guarantees. Loans, shares and units are presented as assets on the Corporation's balance sheet, while guarantees are left out of the Corporation's balance sheet, because they are neither an asset nor a liability. However, they are presented at the bottom of the balance sheet and represent the sums that the Corporation may be called upon to pay in case of payment default by companies.

The financing operations comprising the Corporation's portfolio fall into three major categories: operations guaranteed by the Québec government, operations guaranteed at 50%, and non-guaranteed operations. The portion of the portfolio guaranteed by the government and the non-guaranteed portion are presented separately in the notes to the financial statements. The government fully assumes the losses related to guaranteed financing operations, while the Corporation supports the losses associated with non-guaranteed financing operations. As for losses associated with operations guaranteed at 50%, they are assumed equally by the Québec government and the Corporation.

Balance Sheet

The Corporation's total assets as at March 31, 2003 stood at $1.82 billion, up 44% compared with the total assets as at March 31, 2002. This improvement is mainly due to the substantial increase in the investment amounts for IQ Immigrants Investisseurs inc., which rose from $154.9 million as at March 31, 2002 to $438.0 million as at March 31, 2003, and a significant increase in loans.

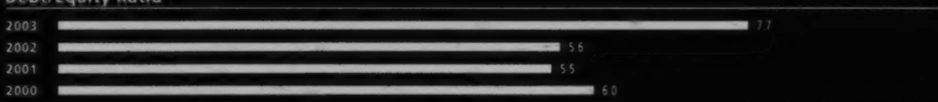
Moreover, the loan guarantee balance rose substantially, from $703.8 million for the previous fiscal year to $883.8 million.

The accumulated provision for losses reached $437.9 million as at March 31, 2003. Expressed as a percentage of the balance of the Corporation's financing operations portfolio, it has been relatively stable over the past four years, as shown in the table below:

Accumulated Provision for Losses as % of Portfolio

The debt/equity ratio, representing the ratio of the Corporation's total short- and long-term debt over equity, progressed as follows:

Debt/Equity Ratio



Moreover, the ratio of equity over net value of the non-guaranteed financing operations portfolio went from 0.52 as at March 31, 2002 to 0.65 as at March 31, 2003, a reflection of the Corporation's sound capitalization with respect to the risk losses it assumes.

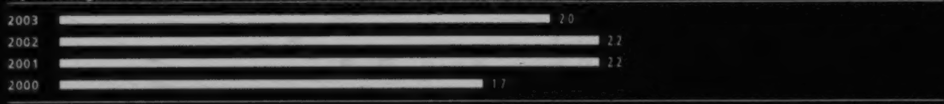
Statement of Income

The Corporation posted net income of $22.6 million during the year ended March 31, 2003, compared with $29.4 million for the previous year. This decrease is attributable to a decline in non-recurrent income (risk premium and share of earnings distributed by a limited partnership) as well as a drop in interest charges. However, net income was $14 million more than the $8.5 million forecast in the Corporation's business plan. This difference is due to a reduction in the provision for losses assumed by the Corporation and sizeable non-recurrent income (option premium).

Moreover, total expense for the provision for losses stood at $141.3 million, representing 6.9% of the average financing operations portfolio, compared with $114.7 million, representing 6.6% of the average financing operations portfolio for 2001-2002. The expense for the provision for losses assumed by the Corporation amounted to $15.8 million, compared with $15.2 million in 2001-2002. The Corporation had anticipated an expense of $20.9 million for this item in its business plan. However, the financial situation of client companies was better than expected.

Operating and administrative expenses totalled $41.5 million. Expressed as a percentage of the average balance of the financing operations portfolio, they progressed as follows:

Operating and Administrative Expenses as % of Average Portfolio



Statement of Cash Flows

Cash flows from the Corporation's operations stood at $1.5 million. Cash disbursements from investment activities were $542.0 million for the current year, as a result of the increase in the investment and loan balance. For the same reasons, cash flows from financing activities totalled $510.9 million.

Financial Statements

Declaration of Responsibility for Financial Information

The preparation and presentation of the consolidated financial statements of Investissement Québec and other information contained in this annual report are the responsibility of management.

This responsibility includes the choice of appropriate accounting policies (outlined in Note 2 of the financial statements).

The financial information appearing in the annual report is consistent with that contained in the financial statements.

The Corporation's accounting system as well as its internal controls and procedures are designed to ensure the reliability of financial data and to provide reasonable assurance that the Corporation's assets are adequately protected against any loss or unauthorized use.

The Board of Directors, which is responsible for monitoring the manner in which management fulfills its responsibilities regarding financial information, approved the financial statements. The Board is assisted in carrying out its mandate by the Audit Committee. This committee meets with management and the auditor, reviews the financial statements, and recommends their approval to the Board. The Audit Committee also receives copies of the audit reports on the optimization of resources and compliance with laws and regulations, particularly the *Financial Administration Act*.

André Côté
Vice-President, Administration and
Acting President and Chief Executive Officer

Renaud Gilbert, CA
Director, Accounting and Treasury

Auditor's Report

To the National Assembly,

I have audited the consolidated balance sheet of Investissement Québec as at March 31, 2003 and the consolidated statements of income, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting policies described in Note 2. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

Doris Paradis

Doris Paradis, CA
Acting Auditor General of Québec

Québec City, June 4, 2003

Consolidated Balance Sheet

As at March 31 (in thousands of dollars)

Assets	2003	2002
Temporary investments (Note 3)	**73,625**	34,101
Investments (Note 4)	**438,024**	155,009
Loans, less accumulated provision for losses (Notes 5 and 9)	**825,344**	699,169
Shares, less accumulated provision for losses (Notes 6 and 9)	**65,873**	67,913
Units, less accumulated provision for losses (Notes 7 and 9)	**21,191**	21,355
Accumulated provision for losses recoverable from the Québec government (Note 9)	**345,328**	253,904
Fixed assets (Note 10)	**4,470**	5,778
Other assets (Note 11)	**46,812**	20,748
Total assets	**1,820,667**	1,257,977

Liabilities and equity		
Liabilities		
Outstanding cheques less cash	–	796
Bank overdraft	**899**	–
Short-term debt (Note 12)	**399,600**	355,100
Long-term debt (Note 13)	**1,004,351**	537,238
Due and accrued interest on loans to the Fonds de financement du gouvernement du Québec	**5,369**	9,207
Accumulated provision for losses on guarantees (Notes 8 and 9)	**205,044**	175,467
Other liabilities (Note 14)	**23,446**	20,855
	1,638,709	1,098,663
Equity		
Initial equity	**32,944**	32,944
Surplus	**149,014**	126,370
	181,958	159,314
Total liabilities and equity	**1,820,667**	1,257,977
Guarantees, less accumulated provision for losses (Notes 8 and 9)	**883,754**	703,831

Commitments (Note 22)

Contingencies (Note 25)

The notes are an integral part of the financial statements.

For the Board of Directors,

André Côté
Acting Chairman of the Board

Léopold Beaulieu
Director

Consolidated Statement of Income and Surplus

For the fiscal year ended March 31 (in thousands of dollars)

	2003	2002
Interest income and interest contribution from the Québec government (Note 15)	**63,903**	61,667
Risk premiums		
Stock options	**5,288**	832
Others	**2,412**	14,157
Guarantee fees	**11,360**	9,171
Commitment fees	**7,722**	6,830
Gain on disposal of shares	**222**	15
Share of earnings distributed by a limited partnership	**266**	8,309
Other income (Note 16)	**1,075**	742
	92,248	101,723
Interest charges (Note 17)	**(26,119)**	(42,996)
Fees to financial intermediaries	**(10,435)**	(2,743)
Net income before provision for losses and the following items	**55,694**	55,984
Provision for losses (Note 9)	**(141,277)**	(114,695)
Provision for losses recoverable from the Québec government (Note 9)	**125,450**	99,532
Net income before the following items	**39,867**	40,821
Financial contributions (Note 18)	**(79,634)**	(112,822)
Financial contributions assumed by the Québec government (Note 18)	**77,271**	112,787
Operating and administrative expenses (Note 19)	**(41,523)**	(37,692)
Administration fees – Québec government	**27,585**	26,799
Other expenses	**(922)**	(464)
Net income	**22,644**	29,429
Surplus at the beginning	**126,370**	96,941
Surplus at the end	**149,014**	126,370

The notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the fiscal year ended March 31 (in thousands of dollars)

	2003	2002
Cash flows from operating activities		
Net income	**22,644**	29,429
Adjustments for		
Amortization of issuance expenses on long-term debt	**199**	34
Amortization of discounts and premiums on long-term debt	**(994)**	41
Amortization of investment discount	**(15,112)**	(2,976)
Amortization of deferred fees to financial intermediaries	**4,275**	555
Gain on disposal of shares	**(222)**	(15)
Transfer of deferred income	**(192)**	(192)
Provision for losses	**141,277**	114,695
Provision for losses recoverable from the Québec government	**(125,450)**	(99,532)
Depreciation of fixed assets	**2,218**	2,027
Share of income – Affiliated company, Canadair Québec Capital S.E.N.C.	**38**	4
	28,681	44,070
Changes in non-cash items related to operating activities (Note 20)	**(27,217)**	42,492
	1,464	86,562
Cash flows from investment activities		
Net increase of temporary investments with a maturity of over three months	**(69,083)**	–
Acquisition of investments	**(267,941)**	(150,726)
Net increase of loans	**(195,439)**	(37,715)
Net decrease (increase) of shares	**16,080**	(3,313)
Net decrease (increase) of units	**(82)**	57
Acquisition of fixed assets	**(910)**	(1,756)
Deferred fees to financial intermediaries	**(24,642)**	(8,752)
	(542,017)	(202,205)
Cash flows from financing activities		
Net increase of short-term debt	**44,500**	133,600
Long-term debt	**674,089**	195,600
Repayment of long-term debt	**(205,982)**	(148,218)
Deferred issuance expenses on long-term debt	**(1,716)**	–
	510,891	180,982
Net increase (decrease) of cash and cash equivalents	**(29,662)**	65,339
Cash and cash equivalents at beginning of year	**33,305**	(32,034)
Cash and cash equivalents at end of year	**3,643**	33,305

Cash and cash equivalents		
Temporary investments with a maturity not exceeding three months	**4,542**	34,101
Outstanding cheques less cash	**–**	(796)
Bank overdraft	**(899)**	–
	3,643	33,305

Additional information		
Interest paid	**30,740**	44,606

The notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

As at March 31, 2003 (in thousands of dollars)

1. Incorporating Legislation and Nature of Activities

Investissement Québec is a public law legal entity incorporated and governed under the *Act respecting Investissement Québec and La Financière du Québec* (R.S.Q., c. I-16.1), and, as such, is not subject to income taxes.

Investissement Québec's mission is to promote investment growth in Québec. It centralizes and consolidates Government action in research, promotion and support for investment. It strives not only to stimulate domestic investment, but also to attract outside investors by promoting Québec as an excellent place for investment. Investissement Québec participates in the growth of businesses by facilitating research and development as well as exports. By lending its support to companies already established here, it works to retain current investment in Québec. It can also offer companies and government departments, agencies and corporations a variety of technical services, particularly in the fields of financial analysis, credit arrangement and portfolio management. Investissement Québec administers the financial assistance programs developed by the government with regard to investment. The Corporation also administers the *Act respecting Québec Business Investment Companies* (R.S.Q., c. S-29.1), and fulfils any mandate assigned to it by the Government under section 28 of its incorporating statute.

The purpose of La Financière du Québec, a wholly owned subsidiary of Investissement Québec, is to use its financing operations to support Québec companies or companies that are setting up operations in Québec, mainly by granting them loans or guaranteeing the financial commitments they make to financial institutions. It also administers the financial assistance programs stemming from the *Act respecting assistance for the development of cooperatives and non-profit legal persons* (R.S.Q., c. A-12.1).

Section 46 of the *Act respecting Investissement Québec and La Financière du Québec* states that the Parent Company shall establish a business plan, which includes the activities of its subsidiaries, according to the form, content and frequency determined by the Québec government. This plan was approved on November 6, 2002 (decree number 1296-2002) and ends on March 31, 2005.

2. Main Accounting Policies

The consolidated financial statements of the Corporation were prepared by management according to the accrual accounting method and the accounting policies disclosed below. These financial statements include amounts based on best judgments and estimates.

The consolidated financial statements comprise the financial statements of Investissement Québec and those of its wholly owned subsidiaries: La Financière du Québec, IQ Immigrants Investisseurs inc., 9037-6179 Québec inc., 9071-2076 Québec inc. and 9109-3294 Québec inc.

Cash and Cash Equivalents

The Corporation presents, under cash and cash equivalents, the temporary investments maturing no later than three months following their acquisition date, outstanding cheques less cash, as well as bank overdraft.

Investments

Investments are accounted for at cost and discounts on acquisition of investments are charged to the statement of income according to the real-interest method until maturity.

Investment in an affiliated company is accounted for under the equity method.

Loans, Shares and Units

Loans, including accrued interest receivable, shares and units are recorded at cost. When the credit rating has deteriorated to the extent that there is no reasonable assurance that a loan (principal and interest) will be collected in full, the loan is considered doubtful. The reduction in the accounting value then recognized and any subsequent changes are applied to the provision for losses.

Interest income from loans is recorded using the accrual accounting method. When a loan not guaranteed by the Québec government becomes doubtful and the borrower owes more than three months' interest, the interest ceases to be recognized. The interest received on such loans is recorded as a recovery up to the amount written off or for which a provision has been entered, and is subsequently recorded as interest income.

The share of earnings distributed by a limited partnership and dividend income on shares are recorded using the accrual accounting method. Gains on disposal of shares are recorded on the date of transfer of the shares.

Foreclosed assets held for sale are considered as doubtful loans and are recorded at the lesser of the balance of the loan at the time of foreclosure or the estimated net proceeds from the sale of the assets. The reduction in the accounting value then recognized and any subsequent changes are applied to the provision for losses.

The book value of loans not guaranteed by the Québec government restructured as low-interest loans, interest-free loans or preferred shares is adjusted according to the present value of net cash flows receivable pursuant to the new provisions, at the real interest rate inherent in the loan. The reduction of the book value resulting from the restructuring is charged to the provision for losses. The increase in the present value, attributable to the passage of time, is accounted for as interest income.

Common shares stemming from restructured loans not guaranteed by the Québec government are recorded at their book value immediately after the loans have been restructured. The difference between the accounting value of a loan prior to restructuring and the book value of the resulting shares is applied to the provision for losses. Any subsequent decrease in the book value of the shares is also applied to the provision for losses. Any subsequent increase is recognized only upon the sale of the shares, as a gain on the disposal of shares during the current year.

Guarantees

The balance of guarantees, less the accumulated provision for losses, is shown at the end of the Corporation's balance sheet.

Guarantee claims are recorded once the disbursement has been approved by the Corporation. Disbursements are then applied to reduce the guarantee balance and the accumulated provision for losses on guarantees.

When the Corporation considers that there is reasonable assurance of a loan recovery, these disbursements are recorded as assets in accordance with the accounting policies applicable to loans, shares or units.

Accumulated Provision for Losses

The accumulated provision for losses on loans, shares and units is shown on the Corporation's balance sheet, offset against the value of its assets. The accumulated provision for losses on guarantees is shown as a liability on the balance sheet. According to the Corporation, these provisions represent the most accurate estimate of the foreseeable amounts for losses on financing operations that are part of its portfolio.

Except for companies that benefit from business start-up and re-start investment programs, client companies are classified under five risk categories, determined by using solvency and credit criteria; this classification is updated regularly.

One of these categories is insolvent clients, while another comprises companies that are likely to become insolvent in the short term. All doubtful loans are found in one of these two categories. The provision for losses on financing operations included in these two categories corresponds to the book value of the financing operation, less the estimated realizable value of securities, to which a percentage adjustment is applied based on loan collection experience for the files included in these categories. When a company assigned to either category is winding up, has ceased repaying the Corporation and is unlikely to put its finances in order, the related financing operations are written off.

The three other risk categories comprise companies whose financial profile corresponds to that of the Corporation's target clientele. A group provision is calculated for each of these categories by applying a provision rate to the book value at the financing operations. The provision rate for each category is based on a statistical analysis of the number and size of the losses noted or deemed probable one year after the companies are classified.

Companies that are included in one of the above-mentioned risk categories, whose financing operations show an exceptionally high cumulative balance or present specific characteristics are covered by a specific provision for losses.

A global provision is calculated for business start-up and re-start investment programs. This provision corresponds to the amount of authorized guarantees, to which a rate based on past experience is applied, less disbursements in respect of guarantees under these programs.

Certain loans may be forgiven according to the conditions set out in the loan agreement. The provision for losses on these loans takes into account the insolvency risks mentioned above and the inherent risk in the loan agreement.

Special class shares are non-participating shares, with no dividends and no redemption date. These shares are covered by a specific provision for losses.

Accumulated Provision for Losses Recoverable from the Québec Government

The Québec government assumes a share of the Corporation's provision for losses. This share corresponds to the provision for losses on financing operations guaranteed by the Québec government.

Receivable from the Québec Government

The Québec government contributes to the Corporation's financing by reimbursing certain financial contributions and losses on guaranteed financing operations, by paying interest on certain financing operations, and by paying fees to the Corporation. The receivable balance for these contributions appears under the heading "Other Assets".

Fixed Assets

Fixed assets are recorded at cost. They are depreciated as of their start-up date, according to their estimated useful lives under the straight-line method, at the following rates:

Software and computer equipment	33 1/3%
Information systems development	20%
Office furniture	10%
Leasehold improvements	10%

Issuance Expenses, Long-Term Debt Discounts and Premiums

Issuance expenses, long-term debt discounts and premiums are deferred and amortized over the term of the related loan according to the straight-line method. Deferred issuance expenses on long-term debt are included in other assets. Deferred discounts and premiums are presented in deduction or in addition to the loans to which they are associated.

Lands for Sale

Lands are valued at the lowest of cost or the net realizable value. The cost includes expenses related to decontamination and clean-up work.

Deferred Income

The Québec government's contribution for the acquisition of certain fixed assets is deferred and transferred to the statement of income according to the same method and the same rates used for depreciating fixed assets.

Risk Premiums

When approving a financing operation, the Corporation generally requires a risk premium from the client company. The premium in the form of a purchase stock option is recorded when an agreement is reached with the client concerning the exact amount and date of payment of the premium. The premium in the form of a share in earnings is payable and recorded no later than six months after the end of the company's fiscal year. The lump-sum premium is recorded when due according to the contract.

Gains on the disposal of shares acquired following the exercise of an option are shown under the heading "Risk premiums – Purchase stock options" in the Corporation's statement of income.

Financial Contributions

Financial contributions are made up of non-refundable financial contributions and conditional-refund financial contributions.

Financial contributions are charged to the statement of income for the fiscal year in which the Corporation approved the disbursement. The corresponding contribution from the Quebec government for the financial contributions it assumes is then deemed to have been earned by the Corporation.

Subsequent recoveries of conditional-refund financial contributions are charged to the statement of income for the current fiscal year. The applicable Quebec government refund is also recorded in the statement of income for the current fiscal year.

Fees Paid to Financial Intermediaries

Through one of its subsidiaries, the Corporation pays fees to financial intermediaries for canvassing immigrant investors, for finding companies to recommend for a non-refundable financial contribution, and for closing immigrant investors' files.

Fees paid for canvassing an immigrant investor and fees paid for finding a company to recommend are accounted for once the company has accepted the financing operation. Fees paid for canvassing an immigrant investor are deferred and charged to the statement of income for the duration of the corresponding investment, namely five years, according to the straight-line depreciation method. Fees for closing an immigrant investor's file are recorded on the date the file is closed.

Financial Derivative Instruments

The Corporation holds financial derivative instruments for the purpose of managing the interest rate risk flowing from positions appearing in the balance sheet. These financial instruments are used as a hedge for the sole purpose of matching assets and liabilities sensitive to interest rates. The related gains and losses realized are shown over the term of the related position, as an interest rate adjustment. Gains and losses not realized on financial instruments are deferred.

Currency Translation

Guarantees expressed in foreign currency are translated into Canadian dollars at the rate applicable at the date of the balance sheet. The accounts of the statements of income are translated at the prevailing exchange rate as at the transaction date.

Pension Plans

The Corporation contributes to government multi-employer defined-benefit pension plans. However, these contributions are accounted for according to the accounting policies concerning defined contribution plans, since the Corporation does not have sufficient data to apply the policies for defined benefit plans.

3. Temporary Investments

	2003	2002
Banker's acceptances with a maturity not exceeding three months following the acquisition date, from 2.82% to 3.07%, maturing between April 1 and May 21, 2003	**4,542**	34,101
Banker's acceptances with a maturity exceeding three months following the acquisition date, from 2.70% to 3.41%, maturing between April 7 and October 23, 2003	**69,083**	–
	73,625	34,101

4. Investments

	2003	2002
Notes receivable from the Québec government, from 4.29% to 6.01%, maturing between January 24, 2006 and March 26, 2008, nominal value of $535,600 thousand	**437,981**	154,928
Capital investment, valued under the equity accounting method – Affiliated company, Canadair Québec Capital S.E.N.C.	**43**	81
	438,024	155,009

The maturities of the investments are as follows:

2006	2007	2008	No maturity
1,600	**195,600**	**338,400**	**43**

5. Loans, Less Accumulated Provision for Losses

			2003	2002
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	**Total**	Total
Loans				
Interest-bearing				
Fixed rate [1]	11,504	137,659	**149,163**	125,468
Variable rate [2]	43,247	243,772	**287,019**	99,057
	54,751	381,431	**436,182**	224,525
Interest-free	372	469,308	**469,680**	470,812
Restructured	4,431	–	**4,431**	3,023
Doubtful	26,144	94,492	**120,636**	137,130
	85,698	945,231	**1,030,929**	835,490
Accumulated provision for losses				
Interest-bearing loans	(6,875)	(56,964)	**(63,839)**	(13,699)
Interest-free loans	(36)	(31,002)	**(31,038)**	(17,386)
Restructured loans	(3,810)	–	**(3,810)**	(2,619)
Doubtful loans	(18,775)	(88,123)	**(106,898)**	(102,617)
	(29,496)	(176,089)	**(205,585)**	(136,321)
	56,202	769,142	**825,344**	699,169

Anticipated cash receipts from loans are detailed as follows:				
Less than one year	17,978	89,203	**107,181**	125,364
From 1 to 2 years	13,239	84,236	**97,475**	66,430
From 2 to 3 years	11,989	85,327	**97,316**	112,127
From 3 to 4 years	12,818	129,125	**141,943**	68,033
From 4 to 5 years	8,211	75,394	**83,605**	87,636
From 5 to 10 years	19,720	328,270	**347,990**	223,372
More than 10 years	1,743	153,676	**155,419**	152,528
	85,698	945,231	**1,030,929**	835,490

(1) Fixed interest rates ranged between 3% and 12% as at March 31, 2003 (between 3% and 12% as at March 31, 2002).
(2) The Corporation's variable interest rate was 6.25% as at March 31, 2003 (5.25% as at March 31, 2002).

6. Shares, Less Accumulated Provision for Losses

			2003	2002
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	**Total**	Total
Shares				
Common	1,182	11,966	**13,148**	24,892
Preferred	1,285	67,769	**69,054**	71,142
Of a special class	–	8,103	**8,103**	9,303
Common shares from restructured loans	1,231	–	**1,231**	1,231
Preferred shares from restructured loans	1,170	–	**1,170**	1,996
	4,868	87,838	**92,706**	108,564
Accumulated provision for losses				
Common shares	(631)	(9,391)	**(10,022)**	(20,848)
Preferred shares	(463)	(6,578)	**(7,041)**	(8,997)
Special class of shares	–	(8,103)	**(8,103)**	(9,303)
Common shares from restructured loans	(661)	–	**(661)**	(302)
Preferred shares from restructured loans	(1,006)	–	**(1,006)**	(1,201)
	(2,761)	(24,072)	**(26,833)**	(40,651)
	2,107	63,766	**65,873**	67,913

The share redemption maturities are detailed as follows:				
Less than one year	–	80	**80**	–
From 1 to 2 years	–	115	**115**	–
From 2 to 3 years	–	163	**163**	–
From 3 to 4 years	–	163	**163**	68
From 4 to 5 years	371	129	**500**	661
From 5 to 10 years	263	16,890	**17,153**	16,996
More than 10 years	–	45,000	**45,000**	45,000
	634	62,540	**63,174**	62,725
No maturity	4,234	25,298	**29,532**	45,839
	4,868	87,838	**92,706**	108,564

The Corporation holds shares issued by public companies. The net book value of these shares as at March 31, 2003 was $1,936 thousand ($2,358 thousand as at March 31, 2002). According to stock market quotations as at March 31, 2003, these shares had a value of $4,934 thousand ($7,990 thousand as at March 31, 2002).

7. Units, Less Accumulated Provision for Losses

			2003	2002
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	**Total**	Total
Units				
Preferred of cooperatives	64	2,660	**2,724**	2,642
Of a limited partnership	–	18,949	**18,949**	18,949
	64	21,609	**21,673**	21,591
Accumulated provision for losses				
Preferred units of cooperatives	(4)	(478)	**(482)**	(236)
Units of a limited partnership	–	–	**–**	–
	(4)	(478)	**(482)**	(236)
	60	21,131	**21,191**	21,355

The unit redemption maturities are detailed as follows:				
Less than one year	–	38	**38**	4
From 1 to 2 years	–	411	**411**	7
From 2 to 3 years	–	18,636	**18,636**	373
From 3 to 4 years	4	53	**57**	18,590
From 4 to 5 years	4	58	**62**	4
From 5 to 10 years	11	488	**499**	133
	19	19,684	**19,703**	19,111
No maturity	45	1,925	**1,970**	2,480
	64	21,609	**21,673**	21,591

8. Guarantees, Less Accumulated Provision for Losses

	2003			2002
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	**Total**	Total
Guarantees				
Loans	234,519	357,574	**592,093**	598,309
Financial commitment	45,490	451,215	**496,705**	280,989
	280,009	808,789	**1,088,798**	879,298
Accumulated provision for losses				
Loan guarantees	(50,110)	(104,018)	**(154,128)**	(152,427)
Financial commitment guarantees	(10,245)	(40,671)	**(50,916)**	(23,040)
	(60,355)	(144,689)	**(205,044)**	(175,467)
	219,654	664,100	**883,754**	703,831

The guarantee maturities are detailed as follows:				
Less than one year	52,023	38,901	**90,924**	111,526
From 1 to 2 years	21,488	35,289	**56,777**	53,971
From 2 to 3 years	13,043	3,259	**16,302**	15,760
From 3 to 4 years	15,890	81,562	**97,452**	23,333
From 4 to 5 years	21,675	17,860	**39,535**	84,999
From 5 to 10 years	148,325	160,186	**308,511**	262,729
More than 10 years	7,565	471,732	**479,297**	326,980
	280,009	808,789	**1,088,798**	879,298

9. Accumulated Provision for Losses

			2003	2002
	Financing Operations Not Guaranteed by the Québec Government	Financing Operations Guaranteed by the Québec Government[1]	**Total**	Total
Balance at beginning of year	98,771	253,904	**352,675**	275,281
Provision for losses	15,827	125,450	**141,277**	114,695
Recoveries	646	179	**825**	636
Write-offs[2]	(11,171)	(27,926)	**(39,097)**	(22,729)
Guarantee disbursements that did not create an asset	(11,457)	(6,279)	**(17,736)**	(15,208)
	92,616	345,328	**437,944**	352,675

The accumulated provision for losses are detailed as follows:				
Loans	29,496	176,089	**205,585**	136,321
Shares	2,761	24,072	**26,833**	40,651
Units	4	478	**482**	236
Guarantees	60,355	144,689	**205,044**	175,467
	92,616	345,328	**437,944**	352,675

The Corporation can demand that companies provide securities. However, the provision for losses takes into account only the value of securities related to companies that are insolvent or that would likely become insolvent in the short term.

(1) Corresponds to the "Accumulated provision for losses recoverable from the Québec government" shown as an asset on the balance sheet.
(2) Write-offs in the form of restructured loans as well as write-offs for shares from restructured loans amount to $990 thousand for the year ended March 31, 2003 ($214 thousand as at March 31, 2002).

10. Fixed Assets

			2003	2002
	Cost	Accumulated Depreciation	**Net Value**	Net Value
Software and computer equipment	2,844	(2,159)	**685**	1,090
Information systems development	5,695	(4,168)	**1,527**	2,606
Office furniture	469	(97)	**372**	331
Leasehold improvements[1]	2,412	(526)	**1,886**	1,751
	11,420	(6,950)	**4,470**	5,778

(1) Leasehold improvements concern fixed assets belonging to or rented by the Société immobilière du Québec.

11. Other Assets

	2003	2002
Receivable from the Québec government	**13,406**	9,929
Deferred fees to financial intermediaries	**28,620**	8,253
Deferred issuance expenses on long-term debt (1)	**1,568**	51
Assets related to financial derivative instruments	**93**	–
Lands for sale (Note 25) (2)	**290**	270
Other receivables (3)	**2,835**	2,245
	46,812	20,748

(1) From transactions concluded with the Fonds de financement du gouvernement du Québec.
(2) The tenant of one of the lands has the option to buy it for one dollar, plus the excess of the cost of clean-up work over the total payments made by the latter to the subsidiary 9071-2076 Québec inc., according to the terms of its rental agreement. The tenant of the other land has the option to buy it for one dollar.
(3) Include $37 thousand receivable from related entities as at March 31, 2003 ($80 thousand as at March 31, 2002).

12. Short-Term Debt

	2003	2002
Banker's acceptances – financial institutions, from 3.05% to 3.22%, maturing between April 1 and 30, 2003	**256,100**	193,600
Notes – Fonds de financement du gouvernement du Québec, from 3.12% to 3.15%, maturing between April 16 and 23, 2003	**143,500**	161,500
	399,600	355,100

Under decrees 310-2002 and 311-2002, dated March 20, 2002, the Corporation and its subsidiary La Financière du Québec are authorized to contract short-term loans totalling up to $700,000 thousand, until March 31, 2003, and $600,000 thousand thereafter until September 30, 2006, with financial institutions or the Fonds de financement du gouvernement du Québec. The total active short-term loans for the two corporations cannot exceed these limits.

As at March 31, 2003, the Corporation had bank credit lines of $10,000 thousand renewable in September 2003. The used amounts bear interest at the lender's prime rate.

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13. Long-Term Debt

	2003	2002
Notes – Fonds de financement du gouvernement du Québec:		
– 9.25%, matured on April 1, 2002	–	171,214
– at the banker's acceptance rate (3 months) plus 0.168%, matured on August 21, 2002	–	34,768
– 7.50%, maturing on December 1, 2003, nominal value of $34,116 thousand (effective rate 7.81%)	**34,096**	34,056
– at the banker's acceptance rate (3 months) plus 0.034%, maturing on December 1, 2003	**100,000**	100,000
– at the banker's acceptance rate (1 month) plus 0.1850%, maturing on October 1, 2007	**75,000**	–
– at the banker's acceptance rate (1 month) plus 0.2808%, maturing on July 17, 2009	**175,000**	–
– 8%, maturing on December 1, 2010, nominal value of $75,600 thousand (effective rate of 6.14%)	**84,255**	–
Notes – immigrant investors, interest-free, maturing between January 24, 2006 and April 2, 2008 [1]	**536,000**	197,200
	1,004,351	537,238

(1) Payment of capital is guaranteed by the Québec government.

Repayments of the principal on long-term debt over the next five years are as follows:

2004	2005	2006	2007	2008
134,116	–	**1,600**	**195,600**	**413,400**

Under decrees 482-2002 and 483-2002, dated April 24, 2002 and amended by decree number 342-2003, dated March 5, 2003, the Corporation and its subsidiary La Financière du Québec are authorized to contract long-term loans totalling up to $1,500,000 thousand, until September 30, 2006, with the Fonds de financement du gouvernement du Québec. The total active long-term loans for the two corporations cannot exceed this limit.

14. Other Liabilities

	2003	2002
Deferred income [1]	**2,566**	2,512
Non-refundable financial contributions and guarantees payable	**7,159**	7,748
Sick leave and vacations payable (Note 24)	**9,060**	7,367
Liabilities related to financial derivative instruments	**132**	–
Fees payable to financial intermediaries	**938**	80
Other payables [2]	**3,591**	3,148
	23,446	20,855

(1) Includes the Québec government's deferred contribution for the acquisition of fixed assets and the Ministère des Régions' deferred contribution to the investors' and promoters' data bank for amounts representing $192 thousand and $50 thousand, respectively, as at March 31, 2003 ($384 thousand and $50 thousand as at March 31, 2002).
(2) Include $1,520 thousand due to related entities as at March 31, 2003 ($1,765 thousand as at March 31, 2002).

15. Interest Income and Interest Contribution from Québec Government

	2003	2002
Interest on loans	**25,198**	24,686
Interest on investments	**15,112**	2,976
Interest on cash and temporary investments	**1,669**	441
Interest contribution from Québec government on low-yield or zero-yield guaranteed financing operations [1]	**21,924**	33,564
	63,903	61,667

(1) This contribution concerns financing operations guaranteed by the Québec government. It corresponds to the excess of the Corporation's average borrowing cost over the yield of these operations.

16. Other Income

	2003	2002
Share of income – Affiliated company, Canadair Québec Capital S.E.N.C.	**(38)**	(4)
Others	**1,113**	746
	1,075	742

17. Interest Charges

	2003	2002
Interest on long-term debt	**16,276**	35,655
Interest on short-term debt and bank charges [2]	**10,643**	7,266
Net gains on financial derivative instruments	**(5)**	–
Amortization of issuance expenses on long-term debt	**199**	34
Amortization of long-term debt discounts and premiums	**(994)**	41
	26,119	42,996

(1) From transactions concluded with the Fonds de financement du gouvernement du Québec.
(2) Interest charges on short-term loans contracted from the Fonds de financement du gouvernement du Québec totaled $4,248 thousand for the year ended March 31, 2003 ($2,744 thousand for the year ended March 31, 2002).

18. Financial Contributions

	2003			2002
	Not Assumed by the Québec Government	Assumed by the Québec Government [1]	**Total**	Total
Non-refundable financial contributions	2,363	74,674	**77,037**	98,662
Conditional-refund financial contributions	–	2,597	**2,597**	14,160
	2,363	77,271	**79,634**	112,822

(1) Correspond to "Financial contributions assumed by the Québec government" shown in the Statement of Income and Surplus.

19. Operating and Administrative Expenses [1]

	2003	2002
Salaries and employee benefits	**27,789**	23,718
Rent	**2,350**	2,543
Travel, entertainment, advertising and promotion	**4,393**	5,020
Fees	**988**	899
Depreciation of fixed assets	**2,218**	2,027
Others	**3,785**	3,485
	41,523	37,692

(1) Include $4,046 thousand to related entities for the year ended March 31, 2003 ($3,654 thousand for the year ended March 31, 2002).

20. Changes in Non-Cash Items Related to Operating Activities

	2003	2002
Other assets	**(4,180)**	57,826
Due and accrued interest on debt	**(3,838)**	(1,801)
Other liabilities	**2,783**	3,108
Accumulated provision for losses	**(56,008)**	(37,301)
Accumulated provision for losses recoverable from the Québec government	**34,026**	20,660
	(27,217)	42,492

21. Financial Derivative Instruments

The Corporation conducts transactions in the form of standardized futures contracts. These contracts are contractual agreements for the purchase or sale of financial instruments at specific prices and at future dates. Futures contracts are traded based on standardized amounts on organized exchanges and are subject to cash margins calculated on a daily basis. As at March 31, 2003, the margin was $17 thousand and is included in cash.

The following table shows the fair value of the Corporation's portfolio of financial derivative instruments as at March 31, 2003, as represented by unrealized gains or losses.

			2003	2002
	Positive	Negative	**Net amount**	Net amount
3-month futures contract on banker's acceptances	–	3	**(3)**	–
10-year futures contract on Canadian bonds	78	1	**77**	–
	78	4	**74**	–

22. Commitments

In the regular course of its activities, the Corporation makes various commitments, which represent the unused amounts of financing operations offered in the form of loans, shares, units, guarantees and financial contributions. The total amount of these commitments does not necessarily represent future cash requirements, since many of them will expire or may be realized without giving rise to cash disbursements.

In addition, the Corporation has undertaken to pay fees to financial intermediaries for the closing of immigrant investor files.

The amounts of the commitments are detailed as follows:

	2003			2002
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	**Total**	Total
Loans	18,500	691,732	**710,232**	616,170
Shares	–	260,000	**260,000**	–
Units	375	800	**1,175**	–
Guarantees	85,189	687,574	**772,763**	967,422
Financial contributions	50,401	292,608	**343,009**	371,289
Fees to financial intermediaries	5,786	–	**5,786**	2,223
	160,251	1,932,714	**2,092,965**	1,957,104

23. Pension Plans

The employees of Investissement Québec subscribe to the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan for Management (PPM). These are inter-company defined-benefit plans that include retirement and death guarantees. Investissement Québec's obligations toward these government plans are limited to its contributions as an employer. Investissement Québec's contributions charged to the statement of income for the current year amount to $849 thousand ($710 thousand for the year ended March 31, 2002).

24. Sick Leave and Vacations Payable

	2003	2002
Balance at beginning of year	**7,367**	6,747
Expense for the year	**3,847**	2,072
Benefits paid during the year	**(2,154)**	(1,452)
	9,060	7,367

25. Contingencies

Under decree 1421-98 issued by the Québec government on November 11, 1998, 9071-2076 Québec Inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 1998 for the price of one dollar. Investissement Québec will guarantee the environmental liability of this land until funds become available in the subsidiary to assume such liability. The Corporation estimates that the land decontamination and clean-up cost may reach $2,200 thousand. However, under its incorporating legislation, any losses stemming from this contingent liability will be borne by the Québec government.

Under decree 1393-2001 issued by the Québec government on November 21, 2001, 9109-3294 Québec inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 2001 for the price of one dollar. Investissement Québec will guarantee, in part, the environmental liability of this land. The Corporation estimates that the land decontamination and clean-up cost, which it must assume, may reach $12,200 thousand. However, under its incorporating legislation, any losses stemming from this contingent liability will be borne by the Québec government.

During the year, La Financière du Québec, a subsidiary of Investissement Québec, realized a gain on disposal of shares from an option amounting to $4,133 thousand following the sale of all the shares issued by a company. As part of this transaction, the subsidiary, as the seller, agreed to compensate the managing shareholders for damages or losses which they may incur due to the guarantees that they gave to the buyer. The maximum amount that the subsidiary could be held to pay in this regard is $620 thousand.

Following the amendment of the Corporation's incorporating statute in December 2001 creating La Financière du Québec, a subsidiary of Investissement Québec, the latter is not exempted from paying the goods and services tax (GST) and the Québec sales tax (QST). Hence, the subsidiary may be held to pay the GST and the QST retroactively, according to the legal provisions that may be applicable. The subsidiary is not presently able to determine which provisions will apply and, accordingly, the amount of taxes payable. However, the maximum amount that the subsidiary may be held to pay for non-recoverable costs related to the GST and the QST prior to March 31, 2003 is $1,612 thousand.

Various judicial and extrajudicial proceedings instituted by or against the Corporation are currently under way. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or the results of its operations.

26. Related Party Transactions

The Corporation is a related party to all departments and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Québec government or are subject to either joint control or significant common influence by the Québec government. The Corporation's business transactions with these related parties were carried out during the normal course of its activities and under usual business conditions. All these transactions, accounted for according to their exchange value, are shown separately in the financial statements.

27. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 2003.

28. Balance Sheets of Investissement Québec and its Subsidiaries

						2003	2002
Assets	Investissement Québec Non-Consolidated	La Financière du Québec	IQ Immigrants Investisseurs inc.	Other Subsidiaries	Eliminations and Reclassifications [1]	**Consolidated Total**	Consolidated Total
Cash	544	–	–	100	(644)	–	–
Temporary investments	–	–	73,625	–	–	**73,625**	34,101
Investments	–	–	437,981	43	–	**438,024**	155,009
Loans, less accumulated provision for losses	675,250	150,094	–	–	–	**825,344**	699,169
Shares, less accumulated provision for losses	59,880	5,993	–	–	–	**65,873**	67,913
Units, less accumulated provision for losses	18,949	2,242	–	–	–	**21,191**	21,355
Accumulated provision for losses recoverable from the Québec government	251,772	93,556	–	–	–	**345,328**	253,904
Investments in subsidiaries, valued under the equity accounting method	142,832	–	–	–	(142,832)	–	–
Advances to subsidiaries	27,040	–	–	–	(27,040)	–	–
Fixed assets	4,470	–	–	–	–	**4,470**	5,778
Other assets	14,792	3,690	28,620	1,646	(1,936)	**46,812**	20,748
Total assets	1,195,529	255,575	540,226	1,789	(172,452)	**1,820,667**	1,257,977
Liabilities and equity							
Liabilities							
Outstanding cheques less cash	–	–	–	–	–	–	796
Bank overdraft	–	1,543	–	–	(644)	**899**	–
Short-term debt	399,600	–	–	–	–	**399,600**	355,100
Long-term debt	468,351	–	536,000	–	–	**1,004,351**	537,238
Due and accrued interest on loans	5,369	–	–	–	–	**5,369**	9,207
Advances from the parent company	–	25,372	–	1,668	(27,040)	–	–
Accumulated provision for losses on guarantees	120,011	85,033	–	–	–	**205,044**	175,467
Other liabilities	20,240	3,591	1,371	180	(1,936)	**23,446**	20,855
	1,013,571	115,539	537,371	1,848	(29,620)	**1,638,709**	1,098,663
Equity							
Initial equity and share capital	32,944	60,877	1	3	(60,881)	**32,944**	32,944
Surplus (deficit)	149,014	79,159	2,854	(62)	(81,951)	**149,014**	126,370
	181,958	140,036	2,855	(59)	(142,832)	**181,958**	159,314
Total liabilities and equity	1,195,529	255,575	540,226	1,789	(172,452)	**1,820,667**	1,257,977
Guarantees, less accumulated provision for losses	543,690	340,064	–	–	–	**883,754**	703,831

(1) Eliminations related to balances and business-to-business transactions and reclassifications.

29. Statement of Income and Surplus of Investissement Québec and its Subsidiaries

	2003						2002
	Investissement Québec Non-Consolidated	La Financière du Québec	IQ Immigrants Investisseurs inc.	Other Subsidiaries	Eliminations and Reclassifications [1]	**Consolidated Total**	Consolidated Total
Interest income and interest contribution from the Québec government	35,528	12,416	16,724	–	(765)	**63,903**	61,667
Risk premiums							
Stock options	–	5,288	–	–	–	**5,288**	832
Others	191	2,221	–	–	–	**2,412**	14,157
Guarantee fees	2,764	8,596	–	–	–	**11,360**	9,171
Commitment fees	3,208	4,514	–	–	–	**7,722**	6,830
Gain on disposal of shares	–	222	–	–	–	**222**	15
Share of earnings distributed by a limited partnership	266	–	–	–	–	**266**	8,309
Fees – Affiliated company, IQ Immigrants Investisseurs inc.	–	436	–	–	(436)	**–**	–
Other income	1,032	81	–	(38)	–	**1,075**	742
	42,989	33,774	16,724	(38)	(1,201)	**92,248**	101,723
Interest charges	(26,108)	(776)	–	–	765	**(26,119)**	(42,996)
Fees to financial intermediaries	–	–	(10,435)	–	–	**(10,435)**	(2,743)
Fees – Affiliated company, La Financière du Québec	–	–	(436)	–	436	**–**	–
Net income before provision for losses and the following items	16,881	32,998	5,853	(38)	–	**55,694**	55,984
Provision for losses	(95,740)	(45,537)	–	–	–	**(141,277)**	(114,695)
Provision for losses recoverable from the government	95,740	29,710	–	–	–	**125,450**	99,532
Net income before the following items	16,881	17,171	5,853	(38)	–	**39,867**	40,821
Financial contributions	(77,405)	–	(2,363)	134	–	**(79,634)**	(112,822)
Financial contributions by the Québec government	77,405	–	–	(134)	–	**77,271**	112,787
Operating and administrative expenses	(22,737)	(18,510)	(276)	–	–	**(41,523)**	(37,692)
Administration fees – Québec government	15,172	12,413	–	–	–	**27,585**	26,799
Other expenses	(710)	–	(211)	(1)	–	**(922)**	(464)
Net income before share of income from subsidiaries	8,606	11,074	3,003	(39)	–	**22,644**	29,429
Share of income from subsidiaries	14,038	–	–	–	(14,038)	**–**	–
Net income	22,644	11,074	3,003	(39)	(14,038)	**22,644**	29,429
Surplus (deficit) at the beginning	126,370	68,085	(149)	(23)	(67,913)	**126,370**	96,941
Surplus (deficit) at the end	149,014	79,159	2,854	(62)	(81,951)	**149,014**	126,370

(1) Eliminations related to balances and business-to-business transactions and reclassifications

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_Appendices

Appendix 1

Financing Products Managed by Investissement Québec (as at March 31, 2003)

Private Investment and Job Creation Promotion Fund (FAIRE)

Financial support program designed to promote major investment and job creation. Through this program, companies can obtain a refundable, non-refundable or conditional-refund financial contribution, or a loan refund guarantee to help them implement their projects.

Buyer Credit

Loan guarantee specially designed to support the sale of goods and services to foreign companies.

SMB Financial

Loan or loan guarantee to help finance investment, innovation, strategic alliance or export projects carried out by small and medium-sized businesses in the manufacturing, propulsive service and tourism sectors. This program allows companies in need of liquidity to temporarily finance tax credits to which they are entitled under the prevailing tax measures. Until March 31, 2003, the SMB Financial program will help support the working capital of companies faced with temporary cash flow problems.

Program to Promote the Financing of Group Entrepreneurship

Program intended to promote the creation, maintenance and development of enterprises in the social economy by means of financial assistance for non-profit organizations or cooperative enterprises or their subsidiaries.

Program to Promote the Capitalization of Social Economy Enterprises

Program to support the capitalization of non-profit organizations or cooperative enterprises.

SMB Spark

Program to meet the financing needs of small start-up or emerging businesses, including their working capital needs, with the possibility of a loan being granted as a last resort.

Immigrant Investors Program For Business Assistance

Program which seeks to foster economic development by investing in Québec companies some of the income generated by investments entrusted by immigrant investors to IQ Immigrants Investisseurs inc., a subsidiary of Investissement Québec.

Québec Business Investment Corporation (QBIC)

Capitalization instrument designed for Québec small and medium-sized businesses that allows investors to obtain favourable tax benefits.

Tax Measures

Evaluation of business eligibility applications and production of annual eligibility attestations or certificates for refundable tax credits.

Biolevier

Capitalization support program designed to improve access to financing for growing companies in the biotechnology sector, notably through a loan that complements the cash outlay from private investors, to support the development of their products.

Appendix 2

Code of Ethics of the Board of Directors of Investissement Québec

On June 17, 1998, the government adopted decree 824-98 on the ethics of public directors. Pursuant to this decree, the members of the Board of Directors of Investissement Québec adopted a Code of Ethics during their meeting of September 26, 2000. The code contains principles that reflect the Corporation's mission, its core values and general management principles.

General Provisions

1. This code applies to any person appointed to the Board of Directors of Investissement-Québec.
2. The members adhere and contribute to the fulfillment of Investissement Québec's mission, as described in section 25 of the Act respecting Investissement Québec and La Financière du Québec (R.S.Q., c. I-16.1), to wit:

   "The mission of the Corporation is to facilitate the growth of investment in Québec and thus contribute to the economic development of Québec and the creation of employment opportunities.

   The Corporation centralizes and consolidates the actions of the State to seek out, promote and support investment, and shall become the main channel for communications with the enterprises concerned.

   The Corporation strives to stimulate domestic investment and to attract investors from outside Québec. It promotes Québec among investors as a propitious location for investment, offers investors orientation services to guide them in their dealings with the Government, and provides them with financial and technical support.

   The Corporation participates in the growth of enterprises, in particular by facilitating research and development and export activities.

   The Corporation also works to retain current investment in Québec by providing support to enterprises established in Québec that show particular dynamism or potential."
3. The members adhere to the values and general management principles underlying Investissement Québec's activities: client focus, proactive approach, competence, commitment, integrity, efficiency and effectiveness.

Ethical Rules

4. Any member of the Board of Directors who notices, during a Board of Directors or Executive Committee meeting, that he is in conflict of interest must disclose the interest in writing to the Chairman of the Board, abstain from participating in any deliberation or decision relating to the subject of the conflict, and withdraw for the duration of the deliberation and vote relating to this matter.
5. A member shall avoid putting himself in a position where his personal interest conflicts with the obligations of his duties.
6. Any member who provides, or whose partner provides, professional services for a fee or other consideration to a company, shall abstain, throughout the period in which the services are provided, from communicating with the personnel of Investissement Québec in respect of any financial transaction involving this company and the Corporation. This prohibition is applicable during the year following the termination of the member's mandate.

7. A member may not be designated Investissement Québec managing director for a company.
8. Members shall exercise discretion regarding any information obtained as part of or while exercising their duties and shall at all times respect the confidential nature of such information.

   This obligation shall not prevent a member representing or related to a particular interest group from consulting or reporting to the group, except if the information is confidential under the law or if the Board of Directors requires that such information be kept confidential.
9. A member shall be in conflict of interest when he, his heirs or spouse have, to his knowledge, i) an interest in a client company of Investissement Québec that is a closed company within the meaning of the Securities Act (R.S.Q., V-1.1), ii) an interest of ten percent or more in the voting share capital of a client company of Investissement Québec that is not a closed company within the meaning of the Securities Act (R.S.Q., V-1.1).
10. A member shall be in conflict when the Board is seized of a matter concerning his company, his competitor, the company of a client or that of a relation or a matter of a company that has received a letter of intent or a letter of offer from an entity of which he is a director or an employee.
11. A member shall not accept a gift or other benefits, unless they are customary or of modest value. Any other gift or benefit received shall be returned to the donor or remitted to Investissement Québec.
12. A member shall not, directly or indirectly, grant, solicit or accept a favour or undue benefit, for himself or a third party, from a company that has business relations with Investissement Québec.
13. A member shall, in making his decisions, avoid being influenced by job offers.
14. A member who no longer holds his position shall behave in a manner so as not to take undue advantage of his former position at Investissement Québec.
15. A member who no longer holds his position shall not disclose any confidential information he has obtained or give advice to anyone based on information that is not available to the public concerning Investissement Québec. This prohibition is applicable during the year following the termination of his mandate.
16. An ethics committee has been set up comprising three members appointed by the Board of Directors of Investissement Québec. This committee meets at the request of the Chairman of the Board of Investissement Québec to examine all matters referred to it by the Board of Directors and, where applicable, submits its report to the Board.

Appendix 3

Code of Ethics of Employees of Investissement Québec and its Subsidiaries

Preamble

The Code of Ethics of Employees of Investissement Québec and its Subsidiaries is a document that sets out the rules of conduct and behaviour to be followed in order to protect the interests of the Corporation, its clients, suppliers and partners, as well as the interests of the government.

It is a complement to the laws governing Québec society, collective agreements and professional codes of practice governing the work of the Corporation's employees. Without standing in lieu thereof, it prevails in all circumstances when the rules set forth therein are more precise and more stringent.

All employees have a responsibility to read this Code and to refer to it on a daily basis in all their interactions with their colleagues and with the partners, clients and suppliers of Investissement Québec and its subsidiaries.

Since the Code cannot give an exhaustive listing of all ambiguous situations in which an employee may be involved, the employee shall contact his immediate superior or, if this is impossible, the General Secretary of the Corporation, for advice on the behaviour to adopt. If the employee is not able to contact these people, he shall act to the best of his judgment, in keeping with the spirit of the principles of the Code and the values of the Corporation.

Scope

The Code of Ethics applies to all employees of Investissement Québec and its subsidiaries, namely, managers, legal advisors, professionals and clerical and technical staff, be they interns, replacements, temporary or regular employees.

Ethical Principles at Investissement Québec and its Subsidiaries

1. General Duties and Obligations

1.1 Know and respect the Corporation's legislation and its regulations and the Code of Ethics

The employee shall comply with the *Act respecting Investissement Québec and La Financière du Québec* and its regulations, which set out the Corporation's mandate, its operating framework and the rules that the employees must follow in performing their duties.

The employee shall attest in writing that he has received and read this Code of Ethics (and its amendments, if any), and that he agrees to respect the principles set forth therein.

If an employee has to work with clients, suppliers or partners who live in other countries, he shall respect the laws of these countries. If the employee is a member of a professional order, he has to respect the ethical principles established by this order, to the extent that these principles do not run counter to the Corporation's ethical principles. In both cases, if there is a discrepancy, the more stringent laws and principles will apply.

1.2 Respect clients, suppliers, partners and work colleagues

The employee shall exhibit a spirit of collaboration, courtesy and fairness by showing respect and impartiality toward clients, suppliers, partners and other employees with whom he interacts in performing his duties.

The employee agrees to avoid any preference or bias that cannot be justified and that may stem from prejudices based, among other things, on gender, race, colour, religion or political convictions.

The employee shall exhibit good judgment with respect to the content of documents he brings with him during his work, be they in electronic or paper form. Any content that is pornographic or violent in nature or in bad taste and that may shock work colleagues or tarnish the reputation of the Corporation and its officers is prohibited.

The employee shall abstain from performing his work in a state that is likely to compromise the quality of his performance.

1.3 Show professionalism

The employee shall provide adequate services by being efficient and diligent in fulfilling his duties and responsibilities. If he is faced with a situation beyond his area of expertise, he shall request assistance from a colleague or a superior with the required expertise.

In performing his duties, the employee shall ensure to gather sufficient information to be able to conveniently justify his recommendations. He shall, as the case may be, abide by the Corporation's standards and policies in order to ensure the quality of the information gathered.

An employee who is in direct contact with clients, potential investors or others has a responsibility to advise them adequately on the services that may be offered to them. To this end, the employee shall rely on a reasonable analysis for any recommendations presented to clients, potential investors and others to assist them in their projects, or presented to the officers of the Corporation to carry out financing operations among these clients.

The employee has a responsibility to upgrade his skills in order to be able to perform his duties effectively throughout the duration of his employment.

2. Duties and Obligations Toward the Employer

2.1 Act with honesty, integrity and loyalty

The employee shall keep records that, at all times, correctly reflect the reality of the subjects handled and that present the nature of transactions accurately and precisely.

The employee shall be transparent in his actions.

The employee agrees to use, adequately and solely for the purpose of his work, the different systems available to the Corporation and any computer equipment, materials or premises put at his disposal.

The employee shall remain loyal to the Corporation, notably by defending its interests and avoiding to cause it any harm, whether it is by committing acts designed to intentionally delay or accelerate the execution of a financial commitment or service, or by using language that may tarnish the image of the Corporation. This loyalty toward the Corporation extends beyond the termination of employment within the organization.

The employee shall conform to the job requirements and to the demands of his immediate superior; this means respecting hierarchy. If the employee feels that the demands of his superior are unjust or unreasonable, he may discuss them with the superior and, if the situation is not corrected, turn to his line supervisor or, exceptionally and when the circumstances warrant, to the General Secretary.

2.2 Report conflicts of interest

2.2.1 Definition and general obligations

The employee shall be in conflict of interest or apparent conflict of interest if he finds himself in a situation that may lead him directly or indirectly to choose:

- between the interests of the Corporation, its clients or suppliers and his personal or business interests or the interests of a person with whom he is related in any way whatsoever; or
- between the interests of two or more of its clients or suppliers.

The employee shall take all the necessary measures to avoid real, eventual or apparent conflicts of interest. If the employee wishes to obtain more information on a specific case, he may at any time contact his superior or, exceptionally and when circumstances warrant, the General Secretary. However, in all cases where the employee feels that he is in conflict of interest or if he is in a situation where it is reasonably possible to believe that there is a conflict of interest, he shall advise the President and Chief Executive Officer in writing, using the form entitled "Request for Opinion on Conflict of Interest or Apparent Conflict of Interest" (see appendix I). The President and Chief Executive Officer will provide guidance, as soon as possible, about the procedure to follow, in accordance with section 19 of the *Act respecting Investissement Québec and La Financière du Québec*.

The employee shall not influence or try to influence a transaction by the Corporation using privileged information (confidential information acquired in the performance of his duties), nor use his status as an employee of the Corporation to derive an advantage for himself, for a business relation or for a person with whom he is related in any way whatsoever.

2.2.2 Securities and interests

Situations of conflict of interest or apparent conflict of interest

Given the nature of the activities of Investissement Québec and its subsidiaries, securities and interests that an employee or any person with whom he is related in any way whatsoever holds in listed or unlisted companies may create situations of conflict of interest or apparent conflict of interest.

List of securities and interests under embargo

Once a company i) that is listed on a recognized exchange or ii) that has shown an intention to be listed on a recognized exchange, enters into discussions with Investissement Québec or any of its subsidiaries regarding any potential business dealing, the company shall be placed under an embargo, and no employee may trade on these securities or interests. The name of the company shall then be included in the "List of Securities and Interests Under Embargo".

The same shall apply for a company that is about to file or that has filed an application for registration with Investissement Québec as a Québec Business Investment Company (QBIC).

Trading on securities and interests

The employee may trade on securities and interests that are not under an embargo, provided such trading does not put the employee in a situation of conflict of interest or apparent conflict of interest. The employee shall, to this end, perform the appropriate due diligence in order to avoid any situation of incompatibility with his functions or any use of confidential information.

In this regard, the employee shall be presumed to be in conflict of interest in respect of a company when he is responsible for that company's file. This rule also applies to an employee who is involved in the process of approving the file of the company in question.

2.3 Duty of professional practice toward the employer

The employee may perform any work outside the office on the express condition that such work does not put the employee in conflict of interest or apparent conflict of interest.

The employee shall not work for himself or for any other person during the Corporation's regular business hours.

2.4 Member of boards of directors

When an employee sits on the board of directors of a company or organization or is on the verge of being named to such a board, he shall disclose it in writing to the President and Chief Executive Officer (using the form in appendix II), who will decide whether there is a conflict of interest or not.

If an evaluation of the situation shows that there is a conflict of interest or apparent conflict of interest, the President and Chief Executive Officer may demand that the employee resign from the board of directors or give up his intention of sitting on such board.

This provision does not apply when the employee is designated by Investissement Québec as a member of the board of directors of a company for which the Corporation has authorized a financing operation.

3. Duties and Obligations Toward Current and Potential Clients and Suppliers

3.1 Show objectivity

The employee shall remain objective in his attitude and actions. He shall not make any premature judgment on the work to be done or on the possible results of such work.

It is important that the employee not let any doubt persist as to his objectivity and impartiality.

The employee has a duty to inform his clients honestly and fully about the products and services offered by the Corporation.

The employee's professional judgment shall be free from any outside influence. The employee shall perform the work requested in keeping with trade practices, despite any attempt at diversion or other pressures that may be exerted on him.

The employee shall refrain from any partisan activity in when performing his duties. However, the employee has the right to participate in political activities outside business hours (financial contributions, participation in the activities of a political party, etc.), but he shall show appropriate reserve and not identify himself with the Corporation when carrying out these activities.

3.2 Show independence

The employee shall not use his status as an employee of the Corporation to try to derive, from any person whatsoever, an advantage for himself, for a business relation or for a person with whom he is related in any way whatsoever, nor shall he agree to benefit from such an advantage if it was offered to him.

Furthermore, any gift, donation, service, advantage or other favour shall be considered a potential source of conflict of interest. Hence, the employee shall avoid giving or receiving any gift, donation, service, advantage or other favour that may affect his role and responsibilities or may damage the Corporation's credibility. In general, any one-time, symbolic gift, donation, service or advantage of little value may be accepted in the regular course of business. The same applies for meals and tickets to cultural, sporting or community events, on condition that the amounts are reasonable. When in doubt, the employee shall contact his superior or, when circumstances warrant, notably in case of a lack of written guidelines or in case of difficulty in interpretation, the General Secretary, who will indicate the best procedure to follow.

3.3 Maintain the confidentiality of information

The employee shall maintain the confidentiality of the Corporation's business relations with its clients or suppliers. He may disclose only information that is in the public domain, prescribed by law or has been authorized by the client or supplier to this end.

The employee shall ensure that no confidential information is provided to unauthorized persons inadvertently during a conversation with a colleague, client, supplier or other. The employee shall therefore exercise caution and discretion in transmitting information, regardless of the means of communication used.

Work colleagues have a right to discretion as much as the Corporation's clients or suppliers. If the employee learns about certain details in the personal affairs of a colleague, he shall make sure to respect this right.

After leaving Investissement Québec or any of its subsidiaries, an ex-employee has the obligation to ensure the confidentiality of information obtained while he was employed by the Corporation as if he was still employed.

3.4 Treat competitors and partners fairly

The employee shall give clients a fair, accurate and impartial portrait of the Corporation's competitors and partners. He shall not give an inaccurate, misleading, demeaning or unfair depiction of a competitor or a partner. If a client wishes to contact another organization, the employee shall not try to discredit such organization.

Management Rules

Responsibilities of Stakeholders

1. Responsibilities of the employee

The employee has a responsibility to read and apply the Code of Ethics and to notify his superior or, exceptionally and when circumstances warrant, the General Secretary, of any violation that may harm his reputation, that of his work colleagues or that of the Corporation.

The employee agrees in this regard to treat all information transmitted to him confidentially and to protect other employees from any possible reprisals by reporting violations of the Code.

The employee also has a responsibility, with respect to the "List of Securities and Interests Under Embargo", to report forthwith to the General Secretary, the name of any company that contacts him with regard to a potential operation by the Corporation.

2. Responsibilities of the immediate superior

The immediate superior has a responsibility to promote the Code of Ethics among employees under his supervision or authority. He shall also provide guidance concerning their responsibility toward the principles laid out in the document.

The immediate superior shall learn about his supervisory responsibility by contacting his own superior or, exceptionally and when circumstances warrant, the General Secretary.

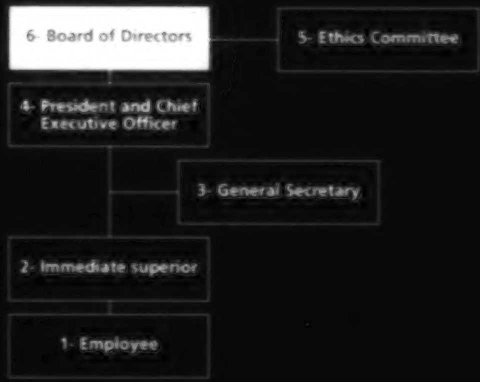
3. Responsibilities of the General Secretary of the Corporation

The General Secretary:

- Advises the President and Chief Executive Officer on any matter related to ethics;
- Maintains the confidentiality of statements made to him by the President and Chief Executive Officer or any confidential information transmitted to him;
- Establishes and updates any records relating to the application of the Code of Ethics, notably the "List of Securities and Interests Under Embargo", does the necessary due diligence and reports, from time to time, to the Ethics Committee;
- Acts as the contact person for all employees, since he has to present all cases brought to his attention or concerning him to the Ethics Committee.

Management Rules

Responsibilities of Stakeholders



1. Responsibilities of the employee

The employee has a responsibility to read and apply the Code of Ethics and to notify his superior or, exceptionally and when circumstances warrant, the General Secretary, of any violation that may harm his reputation, that of his work colleagues or that of the Corporation.

The employee agrees in this regard to treat all information transmitted to him confidentially and to protect other employees from any possible reprisals by reporting violations of the Code.

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The immediate superior shall learn about his supervisory responsibility by contacting his own superior or, exceptionally and when circumstances warrant, the General Secretary.

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The General Secretary:

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- Maintains the confidentiality of statements made to him by the President and Chief Executive Officer or any confidential information transmitted to him;
- Establishes and updates any records relating to the application of the Code of Ethics, notably the "List of Securities and Interests Under Embargo", does the necessary due diligence and reports, from time to time, to the Ethics Committee;
- Acts as the contact person for all employees, since he has to present all cases brought to his attention or concerning him to the Ethics Committee.

4. Responsibilities of the President and Chief Executive Officer

The President and Chief Executive Officer of the Corporation:

- Acts as the decision-maker for all cases brought to his attention since, in light of the information he receives, if he deems that an employee is in conflict of interest or in apparent conflict of interest, he may determine any reasonable and appropriate measure to correct the situation;
- Maintains the confidentiality of statements or other information communicated to him, on the understanding that in an effort to obtain information or opinions, he may share this information with any person of his choosing. In this regard, any person informed by the President and Chief Executive Officer shall keep this information confidential;
- Presents any request brought to his attention to the Ethics Committee.

5. Responsibilities of the Ethics Committee

The Ethics Committee is made up of four members appointed by the Board of Directors of Investissement Québec. It meets at least two (2) times a year and its responsibilities are:

- To meet at the request of the Chairman of the Board of Investissement Québec to examine all matters related to the interpretation and application of this Code or to examine any matter submitted by the Board of Directors and to present its report to the Board of Directors, as the case may be;
- To develop, at the request of the Board of Directors, one or more guidelines to clarify certain aspects of the Code of Ethics. To this end, the Committee has a duty to perform the necessary due diligence in order to avoid any contradiction between the proposed guideline(s) and the content of the Code.

6. Responsibilities of the Board of Directors

The Board of Directors of Investissement Québec:

- Adopts the Code of Ethics as well as its amendments, if any;
- Appoints the members of the Ethics Committee;
- Approves the guidelines proposed by the Ethics Committee.

Administrative and Disciplinary Measures

If the employee violates the precepts of the Code of Ethics, he may have to face an administrative measure (warning or temporary suspension) for minor violations, or a disciplinary measure (reprimand, suspension or dismissal) for more serious violations, in keeping with the rights of the parties involved.

The Corporation may also take appropriate action against employees who leave Investissement Québec or any of its subsidiaries and violate the rules that still apply to them.

Appendix 4

Language Policy

The Corporation applies the language policy adopted by the Board of Directors on September 25, 2001, which is based on the French Language Charter, the government's language policy, the policy concerning government contracts and the policy regarding the use of French in information technologies.

Appendix 5

Reporting of Vice-Presidents' Compensation

In accordance with CT 196753, the compensation of Investissement Québec's vice-presidents must be disclosed to the public. The Corporation reports that the vice-presidents were compensated according to a pay scale ranging from a minimum of $105,297 to a maximum of $131,621.

Appendix 6

Methodology Used to Evaluate the Economic Impact of Projects and the Portfolio

The Corporation evaluates the assets it finances. This evaluation covers all projects financed in 2002-2003, excluding financing offers refused by companies, projects under the Canada-Québec Auxiliary Agreement on Industrial Development, as well as projects related to a sale, which are already evaluated under the portfolio's economic impact.

The analysis focuses on the cost of projects, broken down by type of expenditure: construction, equipment and machinery, professional fees and working capital. The evaluation of the impact of the use of the assets financed by the Corporation takes into account the sales shown on the companies' latest financial statements.

The Institut de la statistique du Québec (ISQ) used these data and its input-output model to evaluate the economic impact of the projects. Yves Dion, economist and professor, and Régis Fortin, professor of finance, both at the Université du Québec à Rimouski (UQAR), analyzed the impact of the projects financed by the Corporation on the Québec economy, by program, by sector and by region.

The methodology used prevents sales from being counted twice, especially in the case of companies that benefited from more than one program. Like last year, the evaluation of the portfolio's impact covers a sample of 77% of client companies. All data were taken from audited or examined financial statements. The results are presented by program, by sector and by region, according to the following parameters: jobs, added value and Québec government revenue. They were produced by the Institut de la statistique du Québec (ISQ), using its input-output model. The composition of Investissement Québec's portfolio changes, such that variations in economic impact over time can be attributable, in part, to the turnover of companies (entering and leaving the portfolio) and not only to their performance or the economic climate.

In addition, the Corporation is able to quantify the portion of the economic impact it generated, thereby evaluating the profitability of its operations. For SMB financial programs and government mandates, this portion corresponds to the impact of projects implemented by companies that exceeded the normal risk threshold of private financial institutions. For the FAIRE program, the portion of the impact attributable to Investissement Québec is proportionate to the probability of non-implementation of a project weighted against the net gain for the economy. Both the project and portfolio evaluations are objective assessments based on a rating system that compares a set of financial and economic parameters.

This method and the overall results were presented at many public forums, including the congress of the Association canadienne-française pour l'avancement de la science in 1997 and 1998, the congress of the Canadian Valuation Society in May 1999, the congress of the American Chamber of Commerce Research Association, held in June 2001, and the congress of the Association de science régionale de langue française held in Trois-Rivières from August 21 to 23, 2002.